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THE JOURNAL OF
THE INSTITUTE OF CHARTERED ACCOUNTANTS
IN ENGLAND AND WALES

MAY 1959

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Incorporated by Royal Charter May 11, 1880

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The Journal of THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

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Professional Notes

The Annual Meeting

THE ANNUAL AND special meetings of the Institute of Chartered Accountants in England and Wales, held on May 6, secured a good attendance.

In his presidential address Mr. W. L. Barrows, LL.D., F.C.A., found no lack of interesting topics to discuss. On technical matters, he welcomed the emphasis which has recently been placed on management accounting, but pointed out that this is an additional service, very desirable in itself but in no way detracting from the importance of the annual accounts. Few will be found to differ from his statement that the need for true and fair annual accounts and the independent auditor's impartial and fearless opinion on them has seldom been greater

than it is today. In another section of his speech he urged upon auditors the need for the salient features of the financial position to be clearly apparent.

Mr. Barrows also spoke on three subjects which affect closely the work and status of the practising member: the training of articulated clerks; the difficult and controversial questions of valuation of stock-in-trade and the auditor's duties in relation to it; and the general subject of the absolute independence of the auditor.

The other matter of very wide interest raised by the President is the proposals for the acquisition of fellowship which will come before a special meeting on June 2.

The principal points raised by speakers in the debate were a suggestion by Mr. F. A. Roberts, A.C.A., that

auditors should not give a clean certificate for a company not disclosing its turnover; and a resolution by Miss D. M. Vaughan, B.A., F.C.A., to the effect that members of the English Institute practising in Scotland should have the right to take articled clerks. On the latter point Sir Russell Kettle, F.C.A., suggested that the time was ripe for a complete amalgamation under the title of the Institute of Chartered Accountants in Great Britain.

In reply, Mr. Barrows promised that Mr. Roberts's suggestion would be considered by the appropriate committee. On the assurance that the matter is under consideration and that a report would be presented at the next meeting, Miss Vaughan withdrew her resolution.

The special meeting was concerned mainly with the increase in the fees payable by incorporated accountants. Two members, Mr. H. A. Bakewell, A.S.A.A., and Mr. B. V. Piggott, A.S.A.A., suggested that the abolition of the distinction between chartered and incorporated members should precede the payment of equal subscriptions. The resolution was carried, *nem. con.*

Fellowship for All?

IN THE MATTER of its undertaking a year ago to consider the relation between associates and fellows the Council has done rather better than it promised and, after full discussion with committees of district societies, has propounded a solution of this problem, which has troubled many members of the Institute for a long time. During the discussions several other solutions were considered, but all were rejected for reasons which appeared adequate. The whole plan is set out in detail in this issue, following the report on the general and special meetings of the Institute. In essence the plan is simple, namely, that on January 1 following the completion of ten years' membership of the Institute—membership of the Society counting on the same footing for this purpose—all associates will automatically become fellows without special application, but the rights of associates in practice to acquire fellowship after five years will be

preserved. As a result of this general graduation to fellowship, it will be possible to reduce the subscription rates for fellows, and the resolutions provide for this. A corresponding change is being made in the case of incorporated accountant members of the Institute.

The whole of these changes are included under a single resolution to be submitted to a meeting to be held on June 2, following which a poll of all members will be taken. To secure acceptance two-thirds of those voting must vote for the resolution. If it is not passed, things remain as they are. There may well be no ideal solution to this difficult problem, but no better one than that put forward in the resolution seems to have been advanced. The problem is at least in part that, on the one hand, nothing must be done which would seem to lessen the status of those who have achieved the distinction of becoming members of the Institute, while, on the other, some means must be found to confer a distinction on both practising and non-practising members without in any way suggesting that, however diverse their present duties, there is any essential difference in status or degree of responsibility between individual members whether practising or engaged in industry. Some may feel that the decision that the distinction of fellowship shall rest upon mere lapse of time is regrettable. But it arises from the very evident difficulty of finding a criterion of selection, from all those on both sides of the profession, of a number, large or small, to be singled out for distinction.

The Law of Charities

THE LORD CHANCELLOR was expected to state in the House of Lords this month (we went to press before he spoke) that the Government proposed to introduce legislation in the next Parliamentary session concerning charitable trusts. It is anticipated that this legislation will substantially amend the existing law of charities and that it will give effect, almost completely, to the recommendations of the Committee on the Law and Practice relating to Charitable Trusts. This Committee

was appointed in 1950 and its report was presented in December, 1952. Lord Nathan was himself chairman of the Committee.

It is probable, therefore, in view of the strong representations of the Committee to that effect, that the new Act will provide for a more satisfactory legal definition of "charity" than that supplied by the Statute of Charitable Uses of 1601, and that this definition will be along the lines laid down by Lord Macnaghten in *Commissioners of Inland Revenue v. Remsel* [1891] A.C. 531. It will then be laid down that a charitable trust is a trust for the relief of poverty, for the advancement of education, or for purposes beneficial to the community generally.

It may be expected that the Mortmain and Charitable Uses Act, 1888, will no longer apply to charities. This Act, which consolidates earlier statutes, prevents a charity and certain corporations from holding land unless under licence from the Crown, the object being to defeat perpetual succession. There are in practice numerous exemptions from the provisions of this somewhat archaic statute, and there is no warrant for its application to charitable trusts.

At the present time, unless the trust otherwise provides or leave is obtained from the court or other appropriate authority (see ACCOUNTANCY, December, 1958, pages 647-650), charitable funds can be invested only in securities authorised for ordinary trusts by the Trustee Act, 1925—in effect, in gilt-edged stocks. The report of the Committee suggested that investment should be permitted, with certain safeguards, in equities quoted on the London Stock Exchange. Probably the Government will not be prepared to implement this entirely. However attractive sound equities may be at the present time compared with trustee stocks, the long-term view must take note of the fact that even sound equities can, as in the past, fail to yield dividends. On the subject of charitable assets generally, it was recommended that lands should be vested in the Official Trustee of Charity Lands and that securities should be held in the name of the Official Trustee of Charity

Funds. There can be little doubt that the new Act will make the necessary provisions.

It is entirely reasonable to expect that the present strict application of the *cy-près* doctrine will be relaxed. The present application of this doctrine permits a change in the objects of a charitable trust only when it is absolutely impossible to carry out the original objects, and then only to purposes as near as possible to those originally laid down. There is no doubt that many charitable trusts, as a result of changing conditions, need amendment beyond anything that could be effected within the framework of the present doctrine. An extension of the *cy-près* powers of the Minister of Education, of the Charity Commissioners and of the Court is considerably overdue.

The Committee made a number of recommendations which do not need legislative sanction, such as the suggestion that the Minister and the Charity Commissioners should use more fully their present extensive powers of examination and enquiry to encourage trustees to use the best administrative techniques and to put the trust assets to the best use. But additional items it would be necessary to include in the proposed Bill are such matters as the reconstitution of the Charity Commissioners and the setting up of a panel of advisers to the Commissioners.

Every Man a Capitalist

A CONSERVATIVE RESEARCH group under the chairmanship of the Rt. Hon. Sir Toby Low have produced for discussion and not as an official programme of the Party their own first contribution towards creating a share-owning democracy: "Industrial Investment Certificates." These are essentially similar to the units of a unit trust investing mainly in industrial equities but they are specifically designed for the slice of the population which is unlikely at present to add more than 5s. to 10s. a week to their existing savings and for this reason the certificates would be given special privileges similar to those attaching to Savings Certificates and the first £15 of interest on Post Office Savings. It is the conviction that such

advantages are essential which makes the group reject out of hand both the unit trust itself and a large part of the existing machinery for canalising savings. Dividends paid on the units will be free of tax and the issuing authorities will reclaim tax on their dividend income, while transfers of the underlying securities and of the units will be free of stamp duty. As against this, holdings will be limited in the first place to £500, the certificates will not be transferable and will have an initial life of seven years, with facilities for prior encashment.

The group wished to provide holders with some protection against fluctuations in value of the underlying securities, but not to remove altogether the educative value of holding equities in industry. As a compromise they suggest that not more than 60 per cent. of the income be distributed, the remainder being reinvested to provide some cushion against falls in value and a bonus on final repayment. It is also provided that certificates may be retained beyond the seven-year period and that holders can then start to accumulate a further holding.

In order to provide a diversity of management and also to keep down its cost it is suggested that the certificates shall be issued by any body which has already in existence an investment management department. Each such body would be free to choose its own group of underlying investments, but it would have to secure a permit to issue from a special body to be set up for that purpose which would determine, *inter alia*, what management charges it could recover from certificate holders. It is envisaged that the running of the new medium would be considered as a public service but one which might bring long-term advantages.

It is scarcely necessary to say that this plan has met with a somewhat mixed reception, particularly from managers of existing unit trusts. Quite clearly, it may divert some business from them to the new medium and there would appear to be no means of providing that people of less modest means shall not use the certificates instead of units. Further,

if the scheme and its provisions are accepted by the Conservative Party, it seems likely that, whatever means are adopted to divorce the running of the scheme from government control, it will in some sense be regarded as a government scheme, with possibly adverse effects on the government if things do not go too well. More certain is the fact that the cost of handling such small investments must be high, while it seems to be the fact that the group expect a substantial part of the very necessary cost of advertising the certificates and of providing information as to their holdings in investments to be borne by existing institutions, including the Press. Again, the taxation exemption may be regarded as discriminatory against other forms of investment. Further, it is not clear as yet that the scheme possesses the characteristic of simplicity which is essential if it is to be widely understood. However, as a basis for discussion and the testing of opinion it is a worthwhile step towards solving the very difficult problem of canalising really modest savings into the development of industry.

Easier Investment in Unit Trusts

MEANWHILE, IN ADDITION to further issues of new unit trusts, the Bank Insurance Corporation, which has for long been selling its "Scotbits" over the counters of Scottish banks, has taken a further step which may have really far-reaching effects.

This is a new scheme whereby Investment-Trust-Units and "Consolbits" may be bought by bankers' order through any branch of the commercial banks, the Post Office Savings Bank and the Trustee Savings Banks. The practice, already well established over a limited field of unit trusts, of investing in units by monthly bankers' order, has proved sufficiently popular for there to have been demands for its extension. The new scheme can be used by anyone who has a bank account; who is prepared to start by buying at least 10 units; and who will then subscribe regularly at least £1 monthly. This it will be seen is roughly equivalent to the lower limit at which the Conservative research group aims, while the mech-

anics of the plan could scarcely be more simple.

The National Savings movement has, apparently, no objection either to this scheme or to suggested plans for the issue of Industrial Investment Certificates. One would suppose that a real success by either would somewhat reduce the volume of new saving by the older channel, but there is no doubt a very widespread belief that investment in industry must be encouraged among the really small savers, while there is, perhaps, a feeling that any switch from non-industrial to industrial investment is likely to be slow.

Business Efficiency Exhibition

THE 46TH NATIONAL Business Efficiency Exhibition is to be formally opened by Lord Monckton, Chairman of the Midland Bank Ltd., on May 25 at Olympia, London, and will last until June 4. The hours of opening will be from 10.30 a.m. to 8 p.m. each weekday, except that on Saturday, May 30, and Thursday, June 4, the exhibition will close at 6 p.m. It will be the largest exhibition of its type ever held in this country, with a record number of 136 firms exhibiting.

The Office Appliance and Business Equipment Trades Association, organisers of the exhibition, have kindly made available complimentary tickets for members of the Institute of Chartered Accountants in England and Wales. Any member who would like one should write to the Secretary of the Institute, enclosing a stamped addressed envelope.

In the past this exhibition has been held alternately in London and in the provinces, but from this year it is to become an annual event in London. In addition there will be exhibitions in provincial cities from time to time; for example, one is to be held in Belfast in October this year. All this reflects the growing importance of business equipment in this country and also overseas—for the increased interest of foreign buyers is one reason why London has been chosen as the future annual centre.

For the accountant, both in industry and in the profession, these exhibitions will increasingly fill an

essential need. It is quite impossible for any executive to find the time to visit the showrooms of every equipment manufacturer, and, so often, their representatives call at an inconvenient hour, and they can seldom bring demonstration equipment with them. But here in one hall the whole range can be seen. The industrial accountant who is familiar with the problems of his own company may find equipment, perhaps even by chance, which exactly fills his needs. The professional accountant attempting to keep his knowledge of the whole field up to date should be able to pick out and examine whatever recent developments may interest him. In fact, one can safely prophesy that large and small exhibitions of this type will become the principal medium by which business equipment is introduced to potential customers.

Following the trend in the past few years, the general interest this year will be in electronic and electrical equipment. There will be a number of systems and devices on show, such as ledger posting machines and continuous stationery equipment, successfully used in the past in a mechanical form and now improved and made faster by the use of electronics. As in previous years, some of the smaller computers will be installed and working at the exhibition, together with ancillary equipment developed for use with them. During the past year high-speed devices to read and punch paper tape have been among the most important developments. In addition, paper tape is being used more widely in its own right as a medium to store information where it may not be economic to use punched cards.

Office printing and copying is another field where there have been improvements recently in speed and in quality of the results. And this year the comfort of the executive has become more important, with scientifically designed desks and chairs.

There will be not only electronic equipment but also mechanical and electro-mechanical. The majority of the exhibits will, in fact, consist of office equipment used, tested and proved over many years (even though

sometimes appearing in a new form) and for which there is a need, once it is recognised, in almost every business from the largest to the smallest.

A detailed report of this year's Business Efficiency Exhibition will be published in the June issue of ACCOUNTANCY.

Progress of the Pensions Bill

TWENTY-FIVE LONG SITTINGS in Standing Committee (the postural contradiction is unavoidable) have produced very little change in the National Insurance Bill. In our issue of March last (page 128) we gave the main points of interest from early sittings. From the deliberations since Easter we note:

(1) The main reason put forward by the Government to justify the payment by and for contracted-out employees of flat-rate contributions higher than those payable by and for employees within the graduated State scheme (18s. 2d. as the combined contribution, against 15s. 4d.) is that all contracted-out employees, whatever their wages may be, will have benefits preserved for them at least equal to the maximum benefits they could get under the State scheme. Apart from the advantage secured by lower-paid workers from the requirement that benefits should be preserved at that maximum level, it would be a heavy administrative task if employers had to preserve benefits at graduated levels below the maximum.

(2) In determining whether a private scheme gave equivalency of benefits—one of the requirements for contracting it out—only retirement pension benefits would be taken into account, not fringe benefits (such as widow's pensions) also.

(3) The Committee rejected a suggestion that to qualify for contracting out a private scheme should be a funded one.

(4) The Government did not accept that the Bill should be made the vehicle for requiring private schemes to give benefits that were transferable from one scheme to another.

(5) It was suggested that many private schemes will be cancelled for the lower-paid employees, who will be left in the graduated State scheme

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for the sake of the subsidy which, in effect, will be paid by the Government for them, but that the scheme will be continued for higher-paid (non-subsidised) workers, who will thus be contracted out. The dividing-line was put by some speakers at £11 a week.

Mr. C. A. Evan-Jones

We have pleasure in announcing that the Council of the Institute of Chartered Accountants in England and Wales has appointed Mr. C. A. Evan-Jones, M.B.E., as an Assistant Secretary of the Institute with effect from May 1, 1959. Mr. Evan-Jones joined the staff of the Society of Incorporated Accountants in July, 1946. A year later he was appointed Assistant Secretary of the Society, and from January 1, 1950, until the integration scheme became effective he was Deputy Secretary. Since then he has been Secretary of the Board of Examiners for the examinations of the Society. In the annual report of the Institute for 1957 it was stated that he had joined the staff of the Institute but had not yet accepted a permanent appointment.

The Irish Budget

ALTHOUGH IT NECESSARILY differs in detail, the Irish Budget of Dr. Ryan is, essentially, similar to that of Mr. Amory in intention. Left with a very small surplus, in order to implement promises made, both at home and to foreign governments, he had to convert it into a deficit by abolishing or reducing certain import levies, only occasionally making good the loss of revenue by imposing protective duties. This, however, did not discourage him from making further tax reductions, mainly a cut of 6d. in income tax, with a view to stimulating production and investment. The details not paralleled in the United Kingdom Budget are a rise of 2s. 6d. in old age pensions, reduced duties on cinemas, cine-variety theatres and dance halls, and complete abolition of duty on greyhound racing and indoor professional boxing. Dr. Ryan also grants a 2 per cent. wear and tear allowance for capital expenditure on industrial buildings and an obsolescence allowance where plant or

machinery is not replaced, both to run from April, 1960. On industrial buildings, including hotels, for which expenditure was incurred before end-September, 1956, there will be, in lieu of the 2 per cent. deduction, an annual allowance equivalent to one-third of the annual value of the building for Schedule A purposes. Harbours will be brought within this relief. The standard rate of income tax in Ireland will be 7s. against the British standard rate of 7s. 9d., and the total tax paid will be lower there than here on all incomes up to £5,000 a year. The maximum rate paid by companies will be 8s. 4d. in the pound as against 9s. 9d. in the United Kingdom.

Canadian Eagle Takeover

IN VIEW OF the precautions taken to protect the interests of minority groups of shareholders in this country, it is difficult to regard the bid by the Royal Dutch-Shell group for Canadian Eagle as anything but a retrograde step. The former appears to have decided that it must integrate the latter fully into its organisation. It has accordingly made an offer to the Canadian Eagle Company—not to its shareholders—to take over its assets—not its shares. Canadian Eagle directors can accept the bid only after holding a shareholders' meeting, but it appears that at such a meeting a simple majority would suffice to give the required sanction, which would automatically be binding upon all shareholders. R.D-S. already control 21 per cent. of the Caneagle capital. If they use their votes at the meeting, it would require the support of only 38 per cent. of the outside voting power to secure acceptance, leaving a large majority of the independent shareholders with no option but to abandon their direct interest in Caneagle in exchange for an interest in the expanded R.D-S. group, in which they will receive two Royal Dutch and three "Shell" Transport shares for every twelve Canadian Eagle shares now held. The terms of the offer are sufficiently attractive to suggest a much wider acceptance than is postulated above, and would probably attract enough support to secure a three-fourths

majority, should that be required. But none of this alters the fact that any minority not wishing to accept will be deprived of their rights, under United Kingdom law, by this new form of takeover bid. The position is all the worse because it is far from clear just what is being purchased or sold. Apart from the shareholding, Royal Dutch-Shell have a number of agreements with Canadian Eagle. The latter own or charter a substantial tanker fleet, which will be employed in the interests of the whole group if the plan goes through. So much is clear; but much remains in doubt, and there would appear to be every reason why shareholders should be enlightened on the true position before they are asked to vote.

U.S. Analysts' Views

IT SEEMS POSSIBLE that the visit to this country in early April of eighty American security analysts may serve as a springboard from which a further drive for additional information on company affairs may be launched. The analysts visited the Stock Exchange, London, and seventeen British companies, and from the latter at least they appear to have received much more information than has hitherto been made available to their opposite numbers in this country or to the companies' own shareholders. The analysts judged the merits of the undertakings according to the qualities of management, equipment and information shown. While some secured high marks on all counts, it is evident that the general view of our visitors was that, under the last head, most fell some way short of proving satisfactory. The investment advisers refused to accept that half-yearly figures might be misleading as a result of seasonal or other special influences, and stated frankly that those they advised would not be interested in the shares of companies which did not publish reasonably detailed half-yearly profit and loss accounts. There was also objection to the absence of turnover figures.

That all American companies are not blameless in this respect is obvious from the fact that Mr. Keith Funston, President of the New York Stock Exchange, recently announced

that the Board of that body has approved a broad programme to strengthen shareholders' rights, and this despite the fact that the requirements of the Securities and Exchange Commission go a good deal further in this respect than anything demanded by the Council of the London Exchange. That body has, by and large, insisted on adequate information being supplied at the time of any new issue of securities, but it has been left largely to the financial press and progressive opinion in the accountancy profession to exert what influence they can upon companies to supply both fuller information as to the finances of the company in annual reports—fuller, that is, than is legally required—and more frequent statements of progress made. As the analysts pointed out, a mere statement that the company has done better than was expected by the Board, or something equally vague, is not good enough. Substantial progress has been made here over the years, but the reaction of our American visitors is a clear indication that we lag badly behind what they are accustomed to at home.

C.P.A. Research Programme Expanded

THE AMERICAN INSTITUTE of Certified Public Accountants has decided to devote up to \$250,000 a year to expand its accounting research programme. Mr. Louis H. Penney, President of the Institute, explained that the purpose is to advance the statement of "generally accepted accounting principles"—that is, of standards to be used in determining whether financial statements are fairly presented. This is, of course, no new idea, but it now seems necessary to look into accepted principles and procedures which could result in varying reports of net income or earnings per share—a matter to which some attention has been paid in Britain of late.

It is proposed to make a series of studies. As each study gets under way all interested parties will be invited to submit their views on the subject. In due course the research group will compile a formal report,

which will be given the widest publicity and comments will be invited. The study will then be reviewed by a newly-appointed Accounting Principles Board of the American Institute, which could accept, reject or merely file it for future attention. If two-thirds of the Board accept the report it would issue a statement which it is expected would be accepted as authoritative on the point at issue. The Institute intends, however, to rely on persuasion rather than compulsion to secure a wider acceptance of its more controversial pronouncements.

The Accountant in E.D.P.

THE ASSOCIATION of Certified and Corporate Accountants held a week-end school last month on "The Accountant as Adviser and Coordinator in Electronic Data Processing." Mr. P. A. Bundy, A.A.C.C.A., gave the opening paper, *An Introduction to Electronic Computers*.

Anyone who contemplates installing or using a computer would do well to use as a guide the very lucid paper by Mr. L. A. Hill, A.A.C.C.A., of the Shell Petroleum Co. Ltd., under the title *Feasibility Study—Fundamental Thinking on Integrated Systems*.

Mr. H. Shearing, A.A.C.C.A., presented a study of *Electronic Data Processing Applications—Present and Future*. He advocated strongly that the correct approach must be on a firm basis of research, pointing out that an organisation developing technical research "does not put its research team and its equipment on the factory floor and expect them immediately to form part of the production line. Technical research is carried out in laboratories, and only when new techniques are proved and tested do they go into the production shops. Yet . . . the research team of E.D.P. is put into the middle of the office and expected to function immediately."

Aid for Cotton—Tax Questions

THERE SEEMS to be general agreement that the provision of some Government assistance to the cotton textile

industry is a sensible and necessary step, but few people are prepared to say that they know just what the official proposals will produce. In particular, there arise a number of questions as to the tax which will be attracted or remitted to those who go out of the industry and those who remain in. Making the original announcement in the House, Sir David Eccles said, in substance, that the treatment for tax purposes of the payment of public funds raises a number of complicated questions regarding balancing charges and what happens when a firm goes wholly or partly out of production. He then went on to say that, while there was no intention to change the law, it would be applied as sympathetically towards the industry as the authority found possible. This is a worthwhile promise, but it is very difficult to put any precise value upon it either for the totality of the industry or for any individual firm. The Chancellor of the Exchequer has authorised discussions on the points arising, and no doubt the matter will gradually be sorted out.

Meanwhile, the figure of £30 million of State aid over five years is no more than a guess, based on the expectation of a favourable reception of the scheme, and of course it postulates much larger provisions by the industry itself. It seems that there is to be a levy or levies on the industry as a whole and these will, presumably, be treated as a business expense. Naturally, the 25 per cent. subsidy to help finance re-equipment will not count for investment and initial allowances. While some people believe that the bulk of the Government money will be absorbed by the closing down of mills, more appear to think that it will go on re-equipment. But there is no doubt that the amount paid for redundancy, and indeed the extent to which mills go out of use, will be influenced to a considerable extent by the decision of the Inland Revenue on questions of tax.

Wages by Cheque—Painful Progress

IT IS GETTING on for three years since the chairman of Pye Radio told the story of the attempt by his company

to pay wage-earners by cheque, and how it had foundered on the Truck Acts, which lay it down that wages must be paid in cash. He was understandably indignant. Since then the number of people who share his indignation has been growing steadily, as the point at issue has been more and more widely discussed. Mr. Graham Page, at first proposing to deal with the matter in his Cheques Bill, later held it over for separate treatment and, with the Cheques Bill safely on the statute book, introduced early last year a new Bill which would have effected a strictly limited reform of the Truck Acts. Progress was discouraging, and in due course it fell to Mr. Patrick Maitland to introduce a second Wages Bill (with Mr. Page among its backers). Now the Government has expressed benevolent interest, following on the announcement that the T.U.C. would no longer oppose the payment of wages by cheque. The banks had previously accepted the idea, and as public opinion increasingly ranges itself on the side of reform it may well be that something will yet be done—this year, next year. . . .

Mr. Maitland's Wages Bill, which also seeks to tidy up various other wages anomalies, has as its main provisions (a) that payment either by bank transfer or by cheque to an account designated by the wage-earner shall be legal, and (b) that at a date appointed by the Minister payment of wages by cheque shall also be legal. In both cases the consent of the wage-earner is necessary. The second provision makes possible at some later date the complete reform which is needed before commerce and industry can make the wage grab a thing of the past; the first will be a useful, although fairly short, step in the right direction.

The Jackson Trial

THE TRIAL OF Leonard Percival Jackson on nine charges, including conspiracy to defraud, forgery and concurring in the publication of a false document, opened before Judge Aarvold at the Old Bailey on April 22 and is still not ended at the time of going to press. With him are joined

in respect of conspiracy and the forging of a document Stanley John Hemmings, a chartered accountant, and Donald Norris Morphew, who had been employed as an accountant but is described as a journalist. All plead not guilty. It is stated that at all material times Jackson was chairman of Hide and Company and its subsidiary, Great Northern and Southern Stores. The essence of the allegations concerns three takeover operations, two by the former company, in each of which a part at least of the consideration for acquisition of the company being absorbed was the issue of shares of the buyer. It is alleged that, in each case, shares having a higher market value than was required to satisfy the seller were issued to him on the understanding that Jackson would purchase them after an interval at the price which the seller had demanded. It is alleged that Jackson then resold the shares at market prices and put the profit on the deal into his own pocket or that of some associate and did not disclose this fact to the directors of Hide and Company or its subsidiary, Great Northern.

It appears that the other directors of these two companies concerned themselves with the development of their normal business, leaving the whole of the management of the takeover operations, which it is admitted were advantageous to the buyers, in the hands of Jackson. It is alleged that as a result of this Jackson was able to divert to his own advantage some £104,000 while the companies made a slightly larger loss, or reduced profit, on the operations. How long this might have remained unknown to the Board and the shareholders it is difficult to say, had not the suspicions of Mr. W. E. Ogden, senior partner of a firm of chartered accountants who were auditors to Hide and Great Northern, been aroused. Before the end of 1951 Mr. Ogden appears to have satisfied himself that Jackson had made a personal profit of £36,000 out of a transaction with Webber of Oxford, and he reported his finding to the Board of Hide and Co. in January 1952. The reaction of the Board was that in future no transaction should be

entered upon without prior discussion and approval by the Board and that this decision should be entered in the minutes.

This precaution does not seem to have been effective and later Mr. Ogden noticed a discrepancy between the stamp duty charged and the number and value of shares allotted to Barton, another concern taken over. Asked to elucidate this point, Jackson explained it, in part, by the statement that in such operations as takeover bids substantial expenses arise for payment of which it would not normally be possible to obtain receipts. By now, however, the careful watchdog in Mr. Ogden was beginning to give way to the bloodhound and he pursued his enquiries in all directions which suggested themselves. Under this pressure, Jackson produced letters in support of his explanations which it is alleged were false documents, and it is because they signed one or more of these letters that Morphew and Hemmings are charged with conspiracy and forging a document. Despite these attempts to provide evidence Mr. Ogden was not satisfied, and the auditors' certificate for 1953-54 was qualified. It is said that, eventually, Jackson admitted that he held certain shares which were supposed to be in the hands of a City group. So far none of the accused has given evidence, and their guilt or innocence has still to be established. It is, however, evident that the whole enquiry, and the final decision to bring the case, arise from the care with which the auditors of Hide and Great Northern performed their task and from the determination of Mr. Ogden to secure a satisfactory explanation of what appeared to him to be irregularities.

Restrictive Practices

THE POLICY OF "exclusivity" expressed in the British Radio Valve Manufacturers' Agreement was strongly defended in recent proceedings before the Restrictive Practices Court, although all the restrictions referred by the Registrar had been terminated.

For the Association, it was stated that the proceedings had attracted

a certain degree of publicity, and Counsel asked to be allowed to say what the attitude of the Association was, and why it had decided to submit to an Order. Observing that this was not a very usual course, the Court held that if the Association felt that its interests had suffered by these proceedings and there was something it wished to put right, Counsel would, no doubt, do it with all propriety. Counsel then explained that the Association consisted of a number of highly efficient and reputable companies, but after careful study of the judgment in *Re Yarn Spinners' Agreement* (L.R.1, R.P.118) it had come to the conclusion that it would not be right to persist in the proceedings. The restrictions formed a three-tier structure. The exclusivity arrangements were at the base; above them was limitation of those entitled to wholesalers' terms, and above that the limitation of a maximum discount. Once it was decided that exclusivity was too general, the whole structure of restrictions fell to the ground.

The Federation of Wholesale and Multiple Bakers' (Great Britain and Northern Ireland) Agreement was recently before the Court on an application for directions by the Registrar and counter-notice by the Federation. The Federation by its counter-notice asked, that in lieu of an exchange of proofs of witnesses, the parties should be ordered to exchange summarised statements of all the evidence they wished to call and that there be produced a complete chronological statement of the evidence in one document. This was opposed by the Registrar on the grounds that the practice of exchanging proofs prior to hearing, which had been adopted by the Court in the past, had achieved what had proved to be a satisfactory method in accordance with rule 33 of the Restrictive Practices Court Rules, 1957, "to secure the just, expeditious and economical disposal" of the proceedings. It provided proofs which the Court was able to read before the hearing, and for preparing cross-examination. The Court directed the exchange of proofs in the usual way.

Shorter Notes

Incorporated Accountants' Benevolent Fund

The annual meeting of subscribers and donors to the Incorporated Accountants' Benevolent Fund will be held at Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2, at 2.30 p.m., on June 30. The chair will be occupied by the President of the Fund, Sir Frederick Alban, C.B.E., LL.D., F.C.A.

New President and Vice-President of Irish Institute

Mr. David McCloy Watson, LL.B., F.C.A., is the new President of the Institute of Chartered Accountants in Ireland. Mr. Watson is a partner in Craig, Gardner & Co., of Dublin and Belfast. The new Vice-President is Mr. George Edmund Cameron, F.C.A., a partner in Wright, Fitzsimons & Cameron, of Belfast.

Committee on Coal Products

Mr. Henry A. Benson, C.B.E., F.C.A., a member of the Council of the Institute of Chartered Accountants in England and Wales, has been appointed by the Minister of Power to serve on a committee with the following terms of reference: "To review the work that has been done in recent years on the development of processes in which coal is the basic raw material and which will produce marketable products of a chemical or a gaseous or liquid hydro-carbon type; and to make recommendations as to the direction of further research and development work on any such processes which appear to the Committee to hold promise of industrial application and as to the type of organisation or organisations best suited to carry out such work."

Scottish Computer Course

In conformity with the announcement

on page 166 of our March issue, the Institute of Chartered Accountants of Scotland held its first computer course at Troon, Ayrshire, last month. This appears to have been very popular, since, while 110 took part, a further fifty-one applicants could not be accommodated and have been offered priority for a second course which is planned for mid-October. The course was a strenuous one under a team of leading experts who included Mr. K. R. Barge of I.B.M., Mr. P. V. Ellis of International Computers and Tabulators, Mr. H. W. Matthews of the National Cash Register and Mr. T. R. Thompson of Leo Computers.

The Accountant Annual Awards

The winners of the awards made by *The Accountant* for excellence of reports and accounts of public companies presented at annual meetings during 1958 are The British Oxygen Company Limited among the larger companies and General Refractories Limited among the smaller. The awards (which are of equal rank) will be received by the chairman of the winning companies, Mr. J. S. Hutchison, C.A., of British Oxygen, and Mr. R. A. Kirkby, J.P., of General Refractories. The Rt. Hon. The Lord Mayor of London, Alderman Sir Harold Gillett, M.C., F.C.A., has kindly agreed to present the awards at the Mansion House in June.

Finance for Pigs

In our issue of September, 1958 (page 439), we wrote of the formation of *Fatstock Finance Ltd.* jointly by the N.F.U. Development Company and the *Fatstock Marketing Corporation* and of a scheme for the finance of beef. In the November issue (page 572) we were able to announce a scheme of finance for sheep and *Fatstock Finance Ltd.* has now produced two comparable schemes for the assistance of pig producers.

C.A.E.S.S.

The Institute of Chartered Accountants in England and Wales has founded the Chartered Accountants Employees Superannuation Scheme to enable pensions to be provided for your staff.

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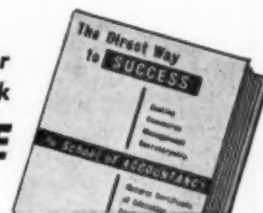
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EDITORIAL

The Boom in Equities

THE rise in prices of industrial Ordinary shares which has long been in progress on both Wall Street and the British exchanges had, by the end of last month, reached a level causing some commentators to suggest that conditions were now similar to those of the late 'twenties and that one might look for a repetition of the troubles of the early 'thirties. Since then London has gone ahead with little pause and the one major setback on Wall Street was followed by so substantial a recovery as to suggest underlying strength for most shares in the equity class. It is not the purpose of this article to attempt more than to put forward some of the factors affecting markets here and in America and to point to some considerations, mainly technical, likely to affect the London market in ways difficult to forecast.

Among the technical points some importance attaches to two developments of recent months, of which the first is the new flow of takeover bids. Of course, any amalgamation of companies tends to reduce their total number; but the earlier acquisitions were aimed primarily at securing a profit for the buyer, with or without a rationalisation of the joint business, whereas we now see schemes for complete integration—dictated perhaps by falling demand for the products of the companies—eliminating some securities *in toto*. The Royal Dutch-Shell bid is a case in point and there are others. The second development is the growth in the number, size and type of unit trusts, including both foreign and domestic trusts whose field of investment is sometimes international. Further to complicate the pattern of investors, we have the unofficial Conservative suggestion for the issue of Industrial Investment Certificates, the Labour Party's plans for the purchase of shares in leading industrial companies, and the general effects on international investment of the greatly increased convertibility of currencies since last year. A continuing growth of these forces, if it occurs, could very well have far-reaching effects.

To return to the major factors; and first to America—since events there may be decisive for world recovery—can it really be said that there exists a repetition of conditions of the 'twenties? In matters of this sort the climate of opinion can be decisive. Thirty years ago there was a whole literature devoted to the thesis that America had discovered a prescription for perpetual expansion, making all idea of alternate boom and slump out of date. Now, the investor may seem to be following some such will-o'-the-wisp, but the pundits are almost unanimously pessimistic. This is probably not without significance. Further, one may say that financial and fiscal policy is

now, if not deflationary, not inflationary either; that the activities of the Securities and Exchange Commission, with thirty years' experience behind it, are restricting speculation on borrowed money; that America is recovering, fairly fast, from a recession which a year ago had an ominous appearance to many; and that the "boom" is restricted to certain classes of equity—numerous enough, it is true—whereas in the 'twenties it extended to almost everything which could be bought on margin: and on bank credit at that. It must be added that both production and profits are rising fairly fast in America. It seems probable that a careful investigation would suggest that, on present yields, it will be a long time before the dearest equities justify their prices as against fixed interest stocks; but there seems no basis for presuming a catastrophic slump in value of the former.

There remains one further American question: the alleged flight from the dollar and its concomitant of a write-up in the dollar price of gold. This question has arisen more than once and has always seemed to contain an element of wishful thinking. It seems improbable that America will voluntarily choose to take this step and even less likely that she will be driven to it. There are easier and less painful ways of decreasing an efflux of gold.

As to conditions at home: the rise in equities has been faster than in America in the past year or so, but it still falls short of discounting fully the fall in the value of money. There are, at long last, some signs of increasing industrial production. Recovery is well in progress in the United States and is beginning in Europe and in some of the raw material producing countries, while, if all goes well, it will come soon in others: there is a reserve of both men and machines in the United Kingdom which, if properly used, could expand our exports and so provide the essential basis for a further advance in home consumption. What is requisite is that we should not price ourselves out of foreign markets. As to dividends, the highly developed industries may feel that, provided prices are stable, they can favour the shareholder at the expense of the capital account: the less modernised ought now to concentrate on fixed capital formation. The solid base for progress is higher output at prices, at worst, not above those now ruling, and with this ought to be coupled some accommodation with the countries of the Common Market. But things may not go well, and there is some reason to believe that the buyer of equities has at the back of his mind the belief that this would mean inflation. If that came, even in face of a capital gains tax and, possibly, divided limitation, he would, he believes, do better in equities than in fixed interest stocks.

The presidential address of Mr. W. L. Barrows, LL.D., F.C.A., at the seventy-eighth annual meeting of the Institute of Chartered Accountants in England and Wales on Wednesday, May 6, 1959.

The President's Address

A REVIEW OF the past year has been given in the annual report, and once again it shows a year of exceptional activity. Without wishing to repeat what is contained in the annual report, there are three features of the past year to which I would like to draw special attention.

Membership

During March or April each of you will have received the 1959 *Red Book*. It is very similar to its predecessors except that it shows a huge increase in the membership of the Institute as a result of the scheme of integration. We have admitted just over 10,000 who were members of the Society and some 500 who were students of the Society and have since qualified. On January 1, 1959, the total membership was well over 31,000, and we have since passed the 32,000 mark, following the admission of successful finalists in the November, 1958, examinations. Thirty years ago the total was 8,500 and sixty years ago only 2,500.

It is gratifying to have been able to publish, little more than a year after the effective date, a *List of Members* reflecting virtually the completion of the integration.

Members' Handbook

The second matter which I think calls for special mention is the issue of the *Members' Handbook*. As you will know from previous annual reports, this new handbook has been germinating over a long period, but for a variety of reasons its appearance was delayed. There is still a great deal more to be issued before the contents can be regarded as complete, but you will by now have seen enough to appreciate the general scheme and scope of the handbook.

The small handbook issued in 1950, together with subsequent supplements, was never intended as a permanent publication. It was prepared primarily for new members. Those of you who received that handbook will have realised how impossible it is to attempt to keep up to date an Institute handbook in bound form.

The purpose of the *Members' Handbook* is to help members in shouldering their responsibilities. Whether we are engaged in public accountancy or in industry or elsewhere we should all recognise a personal duty to maintain and enhance the reputation of the Institute, by seeing that we give the best possible service and observe the highest standards of conduct and integrity. The handbook should help us to do so.

Technical Matters

The third matter requiring special emphasis is the extent of the Council's activities in the technical field during the past year.

First and foremost we have developed considerably the series of *Recommendations on Accounting Principles*. Recommendation 18 on the Presentation of Balance Sheet and Profit and Loss Account, and Recommendation 19 on the Treatment of Income Tax in the Accounts of Companies, are more than consolidations of the Recommendations they replace. They represent substantial forward steps towards the achievement of improved annual accounts. In recent years much emphasis has been placed—and rightly placed—on the importance of management accounting and the need for its further development. We must not, however, allow ourselves or the public to be misled into supposing that the importance of the annual accounts declines as the importance of management accounting rises. Management accounting is an additional and not a replacement service. The need for true and fair annual accounts and the independent auditor's impartial and fearless opinion thereon is as great today as it has ever been, except perhaps in the somewhat swashbuckling days of the nineteenth century when the Institute came into existence.

Recommendation 20, dealing with the Treatment of Investments in the Balance Sheets of Trading Companies, breaks new ground in the series of Recommendations, and I hope it has proved useful to members in considering the best treatment of what can often be rather troublesome items in the balance sheet.

Of the many other technical matters referred to in the report I will mention only Accounting by Electronic Methods, Business Efficiency and Decimal Currency. The introductory outline to *Accounting by Electronic Methods* provides in non-technical language a useful background against which members can watch further developments in this astonishing field and consider to what extent it may be of importance in the affairs of their clients or of the industrial organisations in which they are engaged.

The document dealing with *Business Efficiency* is part of a growing series of Institute documents concerned with management accounting. This particular document represents a distillation of the experience of both practising and non-practising members and is intended to be a

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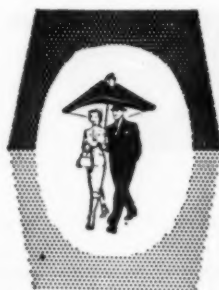
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source of information for a member who has a particular problem on his hands or who wishes to review generally the accounting contribution which can be made to the efficiency of a particular business.

On decimal currency, as recorded in the annual report, the Council has expressed to the Metric Committee of the British Association the opinion that a majority of the members of the Institute would consider that it would be advantageous to decimalise the coinage in the United Kingdom.

Fellowship

In the annual report for 1957 the Council stated that it was the intention to submit to this annual meeting resolutions for changes in the Royal Charters and bye-laws in regard to fellowship. The proposals which the Council then had in mind have since been varied in some respects after consultation with representatives of the district societies. The Council is now ready to put definite proposals to members for their consideration, and this is to be done at a special meeting to be called for 2 p.m. on Tuesday, June 2, 1959. The notice convening the meeting, together with the proposed resolutions and explanatory notes, will be posted next Wednesday, May 13. The proposals necessarily involve consequential changes in the subscription scale.

This question of fellowship is by no means free from difficulty, and opposing views are sincerely held. The Council has no means of knowing in which direction the real weight of opinion lies among the members generally, and I will therefore tell you now that the Council does not intend the matter to be decided on a show of hands. The proposals would, if adopted, involve alterations to the supplemental Royal Charter and therefore require a two-thirds majority. Those who attend the special meeting on June 2 will be able to debate the proposals and the resolutions will then be put to the meeting, but whatever may be the result of the voting the Council will arrange that a poll of all members shall be taken so that every member of the Institute will have the opportunity of recording his vote.

If the voting papers show the required majority in favour, then the proposals will proceed, subject of course to allowance by Her Majesty in Council; but if the voting papers do not show the required majority then the Council will be satisfied that the members have been given the opportunity of making the proposed changes and have decided against them.

District Societies

During my year of office I have had the pleasure and honour of attending the annual dinner of each of the district societies of chartered accountants and also the inaugural meetings of two new branches. I have been much impressed by the good work being done by the officers of district societies and their branches and groups. I have also been impressed by the interest displayed in district society activities. It is encouraging to feel the growing and lively interest in Institute affairs which is shown through the district organisations. These

local activities are an essential part of the life of the Institute and they provide an invaluable means whereby the Council can be kept in touch with the great body of members throughout the country.

The huge increase in the Institute's membership, arising from the scheme of integration, has resulted in a reshaping of the facilities available through the district societies. In areas where there have hitherto been insufficient members it is now practicable to form branches or groups, and this facilitates the task of the larger district societies in providing suitable facilities throughout the whole of their areas. I am sure this is a development which will continue, to the benefit of the individual and of the Institute as a whole.

One of the most important aspects of district society activities is that they enable members in all walks of life, practising and non-practising, to meet together and so help in preserving the Institute as a body of persons whose interests are basically the same whatever may be their occupations. On the national scale the summer courses and autumn meetings serve the same purpose, but whereas these are annual or bi-annual functions the district societies are able to pursue this good work throughout the year.

The Training of Articled Clerks

The whole future of our profession rests upon the recruitment of an adequate number of articled clerks and upon the quality of their subsequent training. We need a high standard of general education before training commences, and I am glad to say that greater interest is now evident among university graduates. We also need the highest possible standard of training under articles.

In the explanatory memorandum issued with the scheme of integration the Council stated that the standards which a member is expected to maintain in the training of his articled clerks would be in no way reduced by the increase in the permitted number; and that members would be expected to restrict the number of their articled clerks to those for whom they could provide adequate training. This is something which we must all bear in mind. If the training facilities in a member's office are adequate then he and his partners should not hesitate to take suitable articled clerks up to the maximum permitted and, if the circumstances so justify, make an application to the Council for the exercise of its special discretion to increase the normal maximum. Members must, however, search their consciences and make sure that they do not take under articles more clerks than they can provide with adequate training in their offices.

The articles are a solemn contract under which the member covenants that his professional practice is suitable for the purpose of enabling the articled clerk to acquire the art and knowledge of a chartered accountant in practice as a public accountant. It follows that the extent and nature of his practice require the most careful consideration by a member before deciding whether, and

if so how many, clerks can properly be taken under articles.

The Council is anxious that there shall be sufficient vacancies for every person of the right calibre who wishes to become a chartered accountant. Equally, the Council is anxious that the Institute shall not be brought into disrepute through the taking of articulated clerks in offices where they cannot be given adequate training. I would like to remind you that the Council has power to refuse to register articles and this power can be used—and has been used—where the Council is satisfied that adequate facilities are not available. The Council also has power—and this too has been used—to refuse to admit to membership where the so-called service is not in accordance with the Royal Charters and bye-laws.

When a member is taking an articulated clerk it is important to remember that if the clerk succeeds in passing the Final examination and applies for admission to membership his application must be supported by a certificate from the member indicating the kinds of work on which the clerk has been engaged, the types of business concerned and the level of seniority at which the work has been carried out. The Council expects the final product to be in accordance with the prospectus.

Valuation of Stock-in-Trade

One of the most difficult and controversial items with which we have to deal in the course of our daily work is the valuation of stock-in-trade and work in progress. Over a long period of years in the life of a business it may not be of great importance, but in presenting the results for a particular year and in showing the trend of results over a period of years it is usually of the highest importance. It is not my purpose today to enter into any discussion about the merits or otherwise of particular bases of valuation or the principles which should govern them.

I do, however, wish to suggest that under conditions now prevailing in industry we need to consider carefully whether stock is overvalued and even, in some extreme cases, whether we are putting it on the correct side of the balance sheet. It is customary to regard stock as an asset, but it is certainly within my experience that it can also be a liability. Over-production or ill-timed production or bad buying or fortuitous circumstances beyond the control of a business can each result in the holding of stocks which are grossly in excess of requirements or out of balance or obsolete or for other reasons can be disposed of only by scrapping or by sale at a loss.

In my view a situation of this kind calls for drastic writing-off, or substantial provision for diminution in value, in order to avoid an overstatement of the stock in the balance sheet. The balance sheet is required to show a true and fair view, and it cannot be fair if it includes stock at a figure which is not arrived at after a realistic review of abnormal and obsolete stocks and the prospects of early disposal in the ordinary course of business.

Let no one suppose that what I have just said is intended to give encouragement to the inclusion of stock-

in-trade at an amount which is neither true nor fair. A valuation of stock-in-trade must be an honest valuation supported by the facts, and it is up to all of us to see that this is so, whether we are acting as directors or officers responsible for the valuation or as auditors responsible for expressing our opinion on the truth and fairness of the accounts. My remarks about over-valuation are intended only to emphasise that we must be vigilant in both directions so that the valuation will be realistic as well as honest.

Independence

My remarks about stock-in-trade illustrate how vital it is that the practising member should maintain his position as an independent practitioner who can be relied upon to express an honest and impartial opinion. This is the basis upon which our reputation has been established and on which it must be maintained. When we have to express our professional opinion as auditors, or when undertaking comparable duties such as reporting for prospectus purposes, it is fundamental that nothing should interfere with the honest expression of the opinion we have reached. So long as we maintain that position we shall continue to command the respect of the public, the Inland Revenue and other government Departments. Any departure from a truly independent position or from the standards of integrity expected of us would soon bring about our downfall, not only as individuals but as a profession.

In Inland Revenue matters in particular we hold a unique position which must be the envy of many other countries. We are trusted by our clients on the one hand and by the Inland Revenue on the other to hold a fair balance between the two, and this is a trust which must not be betrayed. We must not allow ourselves to become in any way the agents of the Inland Revenue, and equally we must not allow ourselves to be party to the withholding of relevant information from the Inland Revenue. Our task is to apply our experience and knowledge to the affairs of our clients, but at all times with the most scrupulous regard for the truth. A number of Council statements in recent years have been directly concerned with this aspect of our responsibilities, and I hope they have been and will continue to be helpful to the individual member in taking a firm stand where either the conduct of a client, or the enthusiasm of the Inland Revenue, has needed a correcting influence.

A new development, which obviously is having most far-reaching results, is the legislation under which the Restrictive Trade Practices Court has been brought into existence. Its operation will need to be watched carefully, and we should leave no doubt as to our own position in relation to our clients' affairs. It has produced a wholesale reduction of those practices which generally did affect adversely the public interest. It does appear to me, however, to be most unfortunate that reasonable and fair provisions, which are held to be in no way adverse to the public interest, should be disallowed and on a technicality held to be illegal merely because the public

benefit is regarded as being not sufficiently substantial and specific.

Ancillary Services

It is because of our reputation for independence and honesty, combined with the nature of our training, that it has long been customary for practising members to provide for their clients a good many ancillary services in addition to the auditing and taxation work which form the hard core of most practices. Among these ancillary services I will mention particularly executorship and trustee work. There are of course many others, including solicitors and the trustee companies of the banks, who undertake this work and perhaps there has been a tendency in recent years for our profession to lose some of it as a result of the growing activities of the banks. Undoubtedly there are advantages in having corporate trustees, but there are also disadvantages, and I would like to see a greater readiness on the part of our members to act as executors and trustees. They can bring to bear that personal touch which is usually important in this type of work, they can often do it more economically and they can often handle investments in a more realistic and profitable manner.

I must, however, sound a loud note of warning. No practitioner should accept responsibilities which he is not fully equipped to discharge. The sort of work I have been discussing requires a good deal of specialised knowledge and the ability to give the time necessary to ensure that the client's affairs are properly looked after. This applies particularly to responsibilities involving the investment of other people's money. A sound investment policy can be very rewarding, but it requires the closest attention, without which the most disastrous mistakes can be made.

I would say that the member who needs to restrict most carefully the range of work he undertakes is the sole practitioner, who—let us face it frankly—cannot pretend in today's complex conditions to be expert in the whole range of important matters which constitute the work of our profession. His practice is also vulnerable in the event of accident or unexpected ill-health.

It is not my aim to denigrate the sole practitioner. My purpose is merely to draw attention to the need for some self-imposed limitation on the range of work which such a practitioner undertakes. A client is far better served by being recommended to obtain specialist advice or services than by being placed in difficulty, or even damaged, because an accountant has accepted responsibilities which he finds himself unable to discharge.

Finance Bill

The Finance Bill is always a matter of considerable importance to members of the Institute, but you will not expect me to make any detailed comments upon it. I am sure, however, that, whatever may be our views on points of detail, we all welcome the substantial reductions in taxation and also the broad area over which they have been spread. As one of the largest contributors of cor-

poration duty the Institute has a special welcome for its abolition.

It is disappointing that the Chancellor has not yet found it possible to introduce a "current year" basis for assessment of company profits, although I must confess to some relief that we shall not have to deal with such a changeover at the same time as the changes dealt with in the Finance Bill, particularly the arithmetic of a seven and ninepenny standard rate.

Company Accounts

Earlier I referred to the revision and extension during the year of the Council's Recommendations on Accounting Principles. The main purpose of these Recommendations is to assist members in the continuous process of improving the presentation of financial accounts of companies. By following sound principles we can present a true and fair view, but we should also remember that clarity and simplicity are great virtues. We must constantly seek new ways of achieving greater simplicity while still disclosing all relevant information.

In this connection it is important to realise that the financing of companies is no longer the prerogative of the wealthy individual. It is now done mainly by the working man. He may not often do it personally or consciously, and he may not realise that his welfare is dependent upon the prosperity of a wide range of business enterprises. What he does do is to trust that institutions such as his insurance company, his pension fund, his bank, his trade union and the charity which helps the local vicar will all meet their obligations. These institutional investors are now substantial holders of company shares and therefore receive the annual accounts of many companies. Those whose duty it is to examine these accounts and determine the institution's investment action will welcome every move towards the presentation of accounts in which the salient features of the financial position are readily apparent.

The Institute's Accounts

As you will know from recent annual reports, your Council has adopted a policy of progressive investment of Institute funds in industrial companies, either directly or through the stocks and shares of investment trusts, insurance companies and banks. This policy has proved advantageous in relation to both income and capital value. The balance sheet shows investments having a market value of £104,873 compared with a cost of £56,856. This kind of investment policy cannot be embarked upon lightly and left to look after itself. It requires much careful consideration, constant attention and good judgment, and in this connection the Council valued greatly the advice of Mr. George Touche, until recently Chairman of the Finance Committee, who took the leading part in developing our investment policy. I am glad to say that his resignation from the Council last year does not mean that his advice will no longer be available.

A less satisfactory feature of the 1958 accounts is the large excess of expenditure over income (some £64,000),

but you will not regard this with surprise or as cause for alarm. In the previous annual report the 1958 deficit was estimated at £65,000, which has proved to be reasonably accurate, and of course the revised scale of subscriptions operative from January 1, 1959, was introduced to remedy the deficiency of income and provide a substantial surplus.

Moorgate Place

It is with regret that the Council has had to report the abandonment of the negotiations for the erection of a new headquarters building in a part of the City which promised to meet our requirements. Unfortunately, it became evident that the conditions under which we should be permitted to proceed were more appropriate for a property company than for a professional body which is merely seeking a new and larger home.

Other negotiations have now reached an advanced stage and will, I hope, be brought to a satisfactory conclusion. The arrangements contemplated do not involve a new building but the leasing of a suite of offices in Moorgate which would enable the administrative staff to be housed under one roof close to Moorgate Place. This would solve, for some years, the serious problem which

the present dispersal of staff represents. This problem of accommodation must be solved in order to provide the staff with suitable working conditions and to enable full attention to be given to the many responsibilities inherent in the management and development of the Institute's affairs.

Staff

One of the main things that I have learnt as a result of serving the Institute as President has been the astonishing volume, variety and calibre of the work carried out by the Secretary and the staff on behalf of our members. It has been a real pleasure for me to work with such a loyal and hard-working team. Mr. MacIver, the Secretary, has been away part of the year as a result of illness, but we are all delighted to see him back fully restored to his usual good health. To him and all the staff I express my personal thanks and those of the members for their outstanding services during the past year.

I now propose and ask the Vice-President to second the adoption of the report of the Council and the accounts for the year ended December 31, 1958.

This article illustrates some techniques for measuring the effects of inflation on accounts, by application to the accounts of certain British steel companies. Professor Baxter is spending the present academic year on the staff of the Graduate School of Business, Columbia University in the City of New York.

Inflation and the Accounts of Steel Companies*

by W. T. Baxter, B.Com., C.A.

Professor of Accounting, London School of Economics, University of London

I INTRODUCTION

BY NOW, MOST of us know that inflation has certain effects on accounts; but we are still hazy about the *sizes* of the effects. So it seems worth while to find out what the figures are for various companies. If we know the quantities at stake, we are in a much better position to argue whether or not accounting and tax methods need reform.

Studies of this sort have been published in America by Professor Ralph Jones.[†] His most comprehensive survey deals with the impact of inflation on nine American steel companies in the years 1941/47. Accordingly, there are some grounds, in a British study, for also selecting a group of steel companies. This procedure allows us to make comparisons; further, though "steel

companies" no doubt vary considerably in the nature of their work (for example, in the extent to which they do engineering), we can reasonably suppose them to be fairly like one another in asset structure.

In one particular, the choice of steel companies may not be quite happy: these companies were subject to some odd financial transactions when they were nationalised and denationalised. However, as our aim is to see the influence of inflation on ordinary trade profits, such

* I must thank Mr. J. B. Selier, B.COM., A.C.A., and Mr. J. R. Gould, B.SC.(ECON.), for much help with the computations.

† R. C. Jones: "Effect of Inflation on Capital and Profits: The Record of Nine Steel Companies," *Journal of Accountancy*, January, 1949; see also his *Case Studies of Four Companies* (American Accounting Association, 1955).

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manoeuvres in high finance do not appear to upset the study; though the companies were forced during the period to shed certain work (notably coal-mining), most of the assets seem to have been kept steadily at their normal task, regardless of who held the shares. In one respect, close relations between companies has been helpful: the industry has collectively given a good deal of attention to this matter of inflation, so that some companies themselves have figures that were useful in finding or checking my own.

Scope

While much of the information needed for a study of inflation is to be found in published accounts, some data (notably fixed asset values sub-divided by year of age) are not. Accordingly, the help of individual companies was essential for my task. Seven companies agreed to assist and possessed the needed data (either in full or with sufficient fullness to justify inclusion of their figures). I am grateful to the officers of those companies for giving me the extra information.

My results are in effect consolidated accounts of the companies—many of which are themselves groups with consolidated accounts. This aggregation serves to give a broad picture of the industry, and to conceal effectively anything that the individual companies may regard as confidential.

The period covered by the full study is 1949–57. There is a rift between the accounts for this period and those of earlier years. The change is partly due to the loss of coal mines and railway wagons on nationalisation, and partly to the Companies Act of 1948. A long survey of steel companies' accounts makes one keenly aware of the many good results of the Act; but the new standards broke the run of figures. Further, more thought seems to have been given in recent years to accounting for plant (perhaps because of interest in inflation), and some companies that have kept full plant records since the war cannot carry their figures back to earlier dates.

However, three of the seven companies also gave figures stretching back to 1938. Three is a small sample; but the figures seem worth publishing to give some idea of the trend during the war. Accordingly, my tables fall into two sections:

- I. Results of three companies from 1939 to 1947; and
- II. Results of seven companies from 1949 to 1957.

Aspects Studied

Inflation affects accounts in several ways, and so a writer on this subject has some choice in deciding which aspects to select. But the topics all fall under one or other of two heads: (1) correction of recorded gains, and (2) valuation of assets and liabilities.

(1) Correction of recorded gains

Normal accounts carry most assets at historical cost. This results in higher income figures if prices rise. For, when the assets are used up in producing income, the

accounts charge a low and out-of-date cost against an inflated current sale price. The difference is labelled profit. But this profit figure is too big—in the sense that the cost does not fully provide for maintenance of the real assets.

The most important expenses subject to time-lag are depreciation and "cost of goods sold." Corrected accounts must raise these to the price-level of the corresponding sales.

Exactly the same reasoning applies when assets are realised in ways other than normal trade—for example, when a steel company sells its coal mines or investments. I should have liked to correct the consequent profit figures. However, I deem this impracticable here. Such transactions are often looked on as top-secret; and, even if the facts of the sale are divulged, one would probably need much knowledge of the particular history and book-keeping to decide on the proper cost adjustment. Fortunately, these transactions are seldom mixed with trading results.

(2) Valuation of assets and liabilities

As normal accounts keep most assets at historical costs, the book values of assets (other than money and rights closely linked with money) fall below current market values when prices rise. On the other side of the balance sheet, book figures for the equity-holders' interest (for example, Ordinary shares and retained earnings) are correspondingly understated. To bring the figures up to date, one must raise the non-money assets and the equity; the write-up does not reflect any real gain—unless, and to the extent that, appreciation on these assets exceeds the general rise in prices.

Money assets do not need to be revalued after inflation; for their book values still match their market values. However, their failure to appreciate is a loss in real terms. Conversely, the rigidity of money liabilities (including Preference shares) is a real gain to the equity holders.

Indices Used

In this study, published figures are adjusted with the help of indices. The main index used is that for consumers' expenditure, as set out in the *London and Cambridge Bulletin*.

A consumption cost index is plainly an imperfect tool. But it has the great merit of showing in some degree whether the equity-holders have maintained their wealth—in the fundamental sense of ability to satisfy their daily wants. Column (a) of Table I summarises this index.

Though cost-of-living figures give a good index from the standpoint of private capital maintenance (and therefore, I suggest, of income measurement), they fail to show whether a firm is maintaining its physical assets. For this purpose, one needs other figures—indices that mirror the replacement costs of different types of assets.

I have therefore elaborated the main revenue tables, so that they show both:

- (i) Figures based on the consumption index; and
- (ii) Additional figures, needed to raise those under (i) to replacement cost of the specific assets.

TABLE I
Cost Indices

Year	(a) Consumers' Expenditure	(b) Raw Material Prices (Steel Industry)	(c) Plant Replacement Costs (Steelworks)
1938	100	100	100
1939	103	99	101
1940	121	118	122
1941	134	130	143
1942	144	133	150
1943	150	135	155
1944	153	138	160
1945	158	140	165
1946	164	150	183
1947	175	153	208
1948	189	171	226
1949	194	203	233
1950	201	198	244
1951	218	231	270
1952	230	316	297
1953	236	326	304
1954	239	302	315
1955	247	333	335
1956	259	392	361
1957	265	407	388

Sources:

- (a) Index of consumers' expenditure, average value index, in *London and Cambridge Bulletins*, published quarterly in the *Times Review of Industry*.
- (b) Raw materials price index (method 4) prepared by the British Iron and Steel Federation. Figures for 1939-45 are insertions based on index of wholesale prices of manufactures, table 287, *Annual Abstract of Statistics*, 1937-47.
- (c) Index of replacement cost of industrial assets, steelworks, prepared by the *Economist Intelligence Unit*. Figures for 1939-45 are insertions based on index of wholesale prices of building materials, table 287, *Annual Abstract of Statistics*, 1937-47.

The physical asset structure of even a single company is always changing (for example, the proportions of different types of raw materials alter in each balance sheet). No index, or battery of indices, can deal faithfully with the assets of a whole industry. A fairly useful set of figures may, however, be got by using two specific indices—one for stocks of goods (index of raw material prices, published by the British Iron and Steel Federation) and the other for fixed assets (index of the cost of replacing steelworks plant, published by the *Economist Intelligence Unit*). Columns (b) and (c) of Table I summarise these figures.*

Comparison of the columns shows that the two specific indices, (b) and (c), are more erratic, and rise

much further, than the consumption index.

However, though the specific indices are more extravagant in their movement than the consumption index, the three indices have usually followed the same trend. With rare exceptions, all three were going up throughout both periods (1939-47 and 1949-57). And the speed of increase followed a rather similar pattern in both periods—fast near the beginning and again near the end. Prices rose swiftly when the war began, less swiftly during the rest of the war, and then soared just after the war. During the 1949-57 period, the Korean crisis started a new acceleration; this disappeared in a year or two (and the stock index was actually falling for some months of 1953/54); thereafter the upsurge once again became fast. We should expect this variation in the pace to be reflected in our results.

Corrected Ordinary Figures v. Stabilisation

The results are organised into three kinds of tables:

A. Ordinary revenue figures plus corrections

In the tables marked A, the actual figures of the particular year are taken as the starting point. The unchanged figures are then interspersed where necessary with correcting adjustments geared to the price-level of that year. For instance, the figures of 1940 profit are copied from the original accounts of 1940, and then an extra cost is deducted to allow for inflation—leaving the reduced profit figure that might appropriately have been published at the end of 1940. In short, the revenue account is corrected but is still expressed in current £s; and assets still stand at their ordinary book values.

B. Stabilised Accounts

If the faults of historical cost are to be entirely cut out, each figure in a given year's accounts must be re-expressed in "stabilised"† terms, that is, in £s of some common date. This automatically brings costs into line with revenues, and so corrects net profit; further (if the common date is recent) it goes some way towards revaluing assets and equity in terms of current prices; and it shows the depreciation of money during inflation (a loss if money assets exceed liabilities, but a gain if liabilities exceed money assets).

Any convenient dates can be used as bases for stabilisation. If trends over a period are to be studied, the accounts of all years should be geared to a single base. To achieve this uniformity, the B tables stabilise each period's figures in terms of the £ at the close of the whole period.

C. Special asset revaluation

As has been said above, a simple method of stabilisation must content itself with the use of a single index—that for general consumption prices. However, there is no

* I must thank the British Iron and Steel Federation, and the *Economist Intelligence Unit*, for supplying the data.

† The word is used here in appreciation of the pioneer work of Professor H. W. Sweeney, in *Stabilised Accounting* (New York, 1936).

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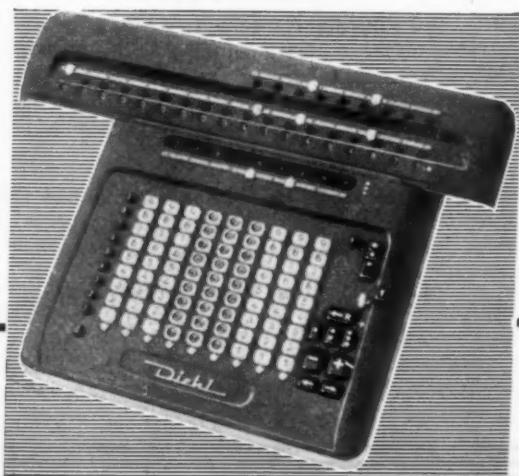


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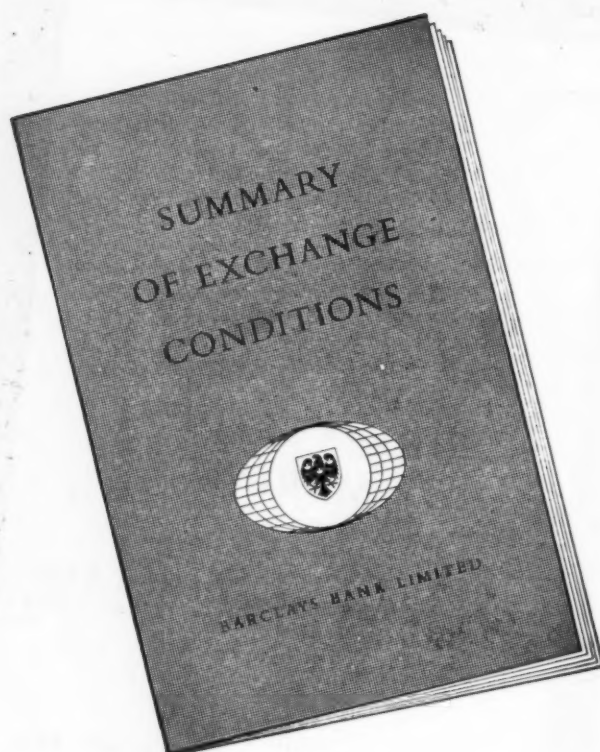
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reason why somewhat more accurate values of fixed assets should not be calculated. In what follows, the stabilised B tables (general index) are supplemented with estimates—marked C—of plant values found by using the specific index of plant construction costs.

Gains and Losses on Revaluation

The corrections mentioned under A above—inflation charges for materials and depreciation—seem proper additions to costs, and are therefore used to reduce profits in the tables showing revenue.

Gains and losses due to the depreciation of money (see B above) present more controversial issues, as do the *extra* appreciation and depreciation on assets when revalued with a specific index instead of the general index (see C above). Though such gains and losses are genuine and worthy of measurement, they scarcely seem proper additions to the trade profit account—particularly when they are still unrealised.

The definition of “realised” in this context raises awkward problems. The fall in the real value of a long-term liability during inflation is a gain in the sense that

annual interest and final redemption become less onerous. Is redemption date the time when the gain is realised? If so, does it follow that gain on current liabilities is realised during the turnover of each year? Until answers to these questions are clearer, the right course seems to be to show these gains apart from trade profit.

Accuracy

The best composition of an index number is a matter of opinion. The technique of stabilisation is still being explored. The data provided by the companies left scope for interpretation. For these and other reasons, my results should obviously not be looked on as figures whose accuracy to the last penny can be objectively proven. Rather should they be judged—like the figures for stock and depreciation in ordinary accounts—as general guides to the values at stake.

When faced with alternative ways of adjusting the figures, I have usually chosen the way that favours ordinary accounting—that is, the reduction in profits and reserves should possibly be greater than my tables suggest.

II RESULTS—PERIOD 1939–47

Costs and Revenue

A. Correct profit in current £s

Table 2A sets out revenue figures, for three companies, from 1939 to 1947. These are current figures, as explained above. So lines *a* to *e* merely aggregate the data given in the original accounts for profit, normal depreciation, and interest.

Line *e* shows that the net profits, as originally reported, kept fairly steady at something over £2 million, except for temporary peaks in 1940 and 1946. From these profits, certain “distributions” were made—appropriations for tax and dividends; these are listed on *j*, *k* and *l*. Comparison of net profit (*e*) with total distributions (*m*) shows that distributions are always below profits (except in 1939); in other words, despite high tax rates and dividends that were fairly well maintained, apparently a solid and growing surplus was ploughed back.

To find correct profit, one must deduct “inflation charges” (line *f*) based on the consumption index. Details of this charge are appended in the note below Table 2A, on lines *r* to *y*. Line *r* tries to estimate appreciation on stock during each year. Here two factors govern the size of the figures—the rise in the consumption index during the particular year, and the quantity of stock held. Line *s* tries to estimate the extra depreciation needed for real capital maintenance. Throughout the period, most of the plant still consisted of assets bought before the war; ordinary depreciation figures (*b*) were therefore

largely based on pre-war costs (though the high 1947 figure suggests a tendency to write down assets more quickly at the end of the period); accordingly *s* is governed mainly by the cumulative rise in the consumption index over all the years since 1938, and the figures grow each year till (contrary to what is often said) they far outstrip the stock charge.

Line *y* suggests how much further the inflation charges would have risen if specific indices for stock and plant had been used, instead of the consumption index. Line *v* shows the extra sums needed to raise the stock charge (*r*) to a level at which physical stocks of steel firms would be maintained; as the stock index in most years rose less than the consumption index, these extra sums are often negative. Line *w* suggests the extra sums needed to raise the depreciation charge (*s*) to a level at which physical plants of steel firms would be maintained. After 1939, the plant index always stood above the consumption index, so that the extra sums are positive; in 1946 and 1947, they became substantial.

To return to the upper part of Table 2A. Line *g* shows the corrected profits still left after deducting the main inflation charges (that is, those based on the consumption index). The figures in *g* diverge over the years more and more from reported profits (*e*); the right-hand column shows that the total fell from £22 million to £13 million. But, though the annual falls were substantial, in no year did they turn profit into loss.

TABLE 2A

REVENUE ACCOUNTS OF THREE COMPANIES, 1939-47

Current £s. £000 omitted.

	1939	1940	1941	1942	1943	1944	1945	1946	1947	Total
<i>a</i> Trade profit, uncorrected	3,750	4,634	3,914	3,877	4,200	4,457	4,765	5,861	5,560	41,018
<i>b</i> Less Depreciation (uncorrected)	1,379	1,377	1,404	1,561	1,677	1,710	1,986	2,100	3,063	16,257
<i>c</i> Interest	250	292	287	283	279	276	274	241	147	2,329
<i>d</i> Total of <i>b</i> and <i>c</i>	1,629	1,669	1,691	1,844	1,956	1,986	2,260	2,341	3,210	18,586
<i>e</i> Net profit (uncorrected)	2,121	2,965	2,223	2,033	2,244	2,471	2,505	3,520	2,350	22,432
<i>f</i> Less Inflation charges, consumption index	267	728	966	1,033	963	950	1,179	1,405	1,983	9,474
<i>g</i> Net profit (corrected)	1,854	2,237	1,257	1,000	1,281	1,521	1,326	2,115	367	12,958
<i>h</i> Less Extra charge to raise <i>f</i> to specific index	1	72	-213	-170	-54	96	-188	677	620	841
<i>i</i> Corrected net profit after replacements ..	1,853	2,165	1,470	1,170	1,335	1,425	1,514	1,438	-253	12,117
Less Distributions:										
<i>j</i> Tax	1,509	2,194	1,342	1,154	1,291	1,361	1,301	1,981	67	12,200
<i>k</i> Preference dividends	127	108	96	94	94	94	94	133	209	1,049
<i>l</i> Ordinary dividends	877	628	653	635	653	668	713	811	824	6,462
<i>m</i> Total distributions	2,513	2,930	2,091	1,883	2,038	2,123	2,108	2,925	1,100	19,711
<i>n</i> Surplus (corrected net profit after replacements and distributions)	-660	-765	-621	-713	-703	-698	-594	-1,487	-1,353	-7,594
Details of inflation charges, <i>f</i> and <i>h</i> :										
Inflation charges, consumption index:										
<i>r</i> Stocks	231	459	524	405	218	177	246	395	492	3,147
<i>s</i> Depreciation	36	269	442	628	745	773	933	1,010	1,491	6,327
<i>u</i> Total inflation charge, consumption index, as in <i>f</i>	267	728	966	1,033	963	950	1,179	1,405	1,983	9,474
Extra charge to raise above to specific indices:										
<i>v</i> Stocks	26	61	-339	-258	-142	-10	-306	348	-105	-725
<i>w</i> Depreciation	-25	11	126	88	88	106	118	329	725	1,566
<i>x</i> Total extra charge, as in <i>h</i>	1	72	-213	-170	-54	96	-188	677	620	841
<i>y</i> Total inflation charge, specific index (<i>u</i> + <i>x</i>)	268	800	753	863	909	1,046	991	2,082	2,603	10,315

TABLE 2B

REVENUE ACCOUNTS OF THREE COMPANIES, 1939-47

Stabilised in £s of December 31, 1947. £000 omitted.

	1939	1940	1941	1942	1943	1944	1945	1946	1947	Total
<i>a</i> Trade profit (stock corrected, consumer index)	6,218	6,280	4,604	4,388	4,831	5,091	5,205	6,066	5,271	47,954
Less										
<i>b</i> Depreciation (corrected, consumer index)	2,500	2,476	2,507	2,766	2,938	2,954	3,362	3,452	4,736	27,691
<i>c</i> Interest	442	439	390	358	339	328	316	267	153	3,032
<i>d</i> Total of <i>b</i> and <i>c</i>	2,942	2,915	2,897	3,124	3,277	3,282	3,678	3,719	4,889	30,723
<i>g</i> Net profit (corrected)	3,276	3,365	1,707	1,264	1,554	1,809	1,527	2,347	382	17,231
<i>h</i> Less Extra charge to allow for replacement (specific indices)	2	109	-290	-215	-66	114	-217	751	645	833
<i>i</i> Corrected net profit after replacements ..	3,274	3,256	1,997	1,479	1,620	1,695	1,744	1,596	-263	16,398
<i>m</i> Less Distributions	4,440	4,407	2,840	2,380	2,473	2,525	2,428	3,246	1,144	25,883
<i>n</i> Surplus (corrected net profit after replacements and distributions)	-1,166	-1,151	-843	-901	-853	-830	-684	-1,650	-1,407	-9,485

Line *i* suggests that the results would not have been changed much by substituting specific indices for the consumption index—except in 1947, when the prices of materials and plant rose so sharply that a large uncorrected profit becomes a small deficit.

However, when the sums distributed (*j*, *k* and *l*) are brought into account, the picture changes. Distributions exceed corrected profit in every year. After extra charges to maintain physical assets, we are left with the deficits shown in *n*; over the period, earnings accumulated before 1939 were reduced in real terms by some £7 million. Tax alone is nearly 100 per cent. of corrected profit.

B. Correct profit in stabilised £s

Table 2B deals with the same revenue items (after correction) as 2A, but stabilises the figures with the aid of the consumption index (using the end of 1947 as the base). Because the data are expressed in the inflated £ of the period's close, earlier figures swell considerably, and the downward trend of profit becomes more noticeable (*e*). The deficit after distributions (*n*) is large in all years.

The effect upon trends of all our adjustments can perhaps best be gauged by comparing accounting

figures with figures stabilised in terms of 1939 £s. Diagram 1 shows the ordinary accounting profit (*e* in 2A) and surplus as unbroken lines, and the stabilised profits and deficits as broken lines; this arrangement is useful for contrasting the trends in the two sets of figures (but not for comparing ordinary and stabilised figures for any one year). The unbroken lines suggest that profits have been well maintained, and have indeed a slightly upward trend. The broken line for profit shows a downward trend ending in steep fall.

1939-47 Balance Sheets

The balance sheets are arranged in two different forms:

Table 3A. This gives the ordinary figures, without any correction.

Line *n* is a note suggesting what the effects of profit correction might have been. It accumulates the inflation charges (consumption index) that were shown separately in Table 2A, line *f*. If this degree of correction had been made from year to year, revenue reserves (*k* in Table 3A) would have fallen by the sums in *n*, and a new item—a capital reserve—would have risen correspondingly.

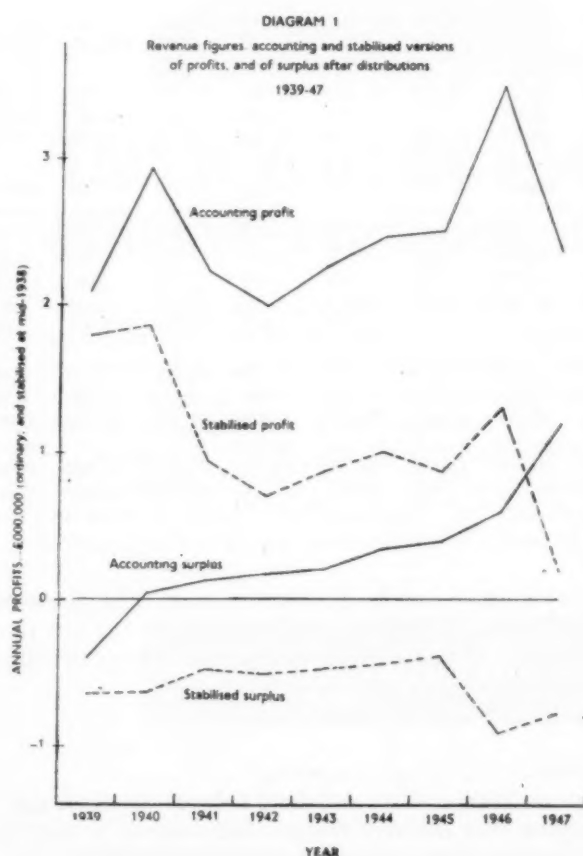
Table 3B. This re-expresses the balance sheet figures of 3A (after correction of cumulative revenue and depreciation) in terms of the £ of December 31, 1947.

Comparing the 1947 columns of 3A and 3B, one sees that the money items (*f*, *g* and *h*) are the same. Stock, being in the main shown at current values in ordinary accounts, is almost the same in both columns.* Otherwise the figures throughout 3B tend to be bigger than those in 3A, reflecting the depreciation of the pound between the "acquisition date" of each item and the end of 1947. Fixed assets, for the most part acquired before 1939, are much higher all along line *a*; the provisions for depreciation also grow (and are now "corrected" figures). Similarly equity capital (*m*) is up substantially; its 1947 size shows roughly what the nominal capital might have been in that year if bonus shares had been issued to match the price change.

Because 3B is stabilised in terms of a single base-date, trends can be seen readily. Thus physical growth of assets is here much easier to gauge than in 3A. Further, accumulated revenues are corrected sums. Line *k* (revenue reserves) gains much in significance; whereas this line in 3A suggests growth, the corrected figures of 3B stress the inroads made by over-distribution of real profit.

Gain from owing

When all the balance sheet items, save the rights defined in terms of money, are increased, a new balance emerges



* I have ignored the slight value rise that takes place under mild inflation between acquisition of stocks and the end of year. Thus the figures in the two tables would be identical but for the fact that part of the ordinary figure happens to be a LIFO valuation.

TABLE 3A
BALANCE SHEETS OF THREE COMPANIES, 1939-47
Ordinary figures. £000 omitted.

	1938	1939	1940	1941	1942	1943	1944	1945	1946	1947
a Fixed assets—cost	26,820	31,138	32,929	33,841	34,531	35,554	37,153	39,241	42,670	44,427
b Less Depreciation (uncorrected)	2,949	3,711	5,183	6,417	7,817	9,712	11,261	13,073	15,242	17,007
c Net book value	23,871	27,427	27,746	27,424	26,714	25,842	25,892	26,168	27,428	27,420
d Subsidiaries and associated companies, etc.	2,816	3,597	4,693	4,813	4,319	4,340	4,277	4,096	5,101	7,467
e Stocks	3,508	3,167	6,071	7,875	8,140	7,682	7,538	8,142	8,741	6,881
	30,195	34,191	38,510	40,112	39,173	37,864	37,707	38,406	41,270	41,768
f Current liabilities, less money assets ..	-927	486	3,716	5,267	4,102	-187	-1,218	-2,044	-266	-3,599
g Debentures	6,281	7,656	7,861	7,659	7,453	7,243	6,903	6,500	3,247	3,185
h Preference capital	3,302	3,302	3,302	3,302	3,302	3,302	3,302	3,302	6,686	8,399
i Maintenance provision	497	727	1,434	1,734	1,882	2,453	2,438	3,293	2,770	2,698
j Tax reserve	—	—	—	—	—	2,261	2,349	2,836	2,377	2,549
k Revenue reserves and misc. (uncorrected) ..	4,625	4,775	4,952	4,905	5,189	5,547	6,144	6,730	8,627	10,416
m Ordinary capital plus premium	16,417	17,245	17,245	17,245	17,245	17,245	17,789	17,789	17,829	18,120
	30,195	34,191	38,510	40,112	39,173	37,864	37,707	38,406	41,270	41,768
n Inflation charges (cumulative) consumption index	—	267	995	1,961	2,994	3,957	4,907	6,086	7,491	9,474

TABLE 3B
BALANCE SHEETS OF THREE COMPANIES, 1939-47
Stabilised in £s of December 31, 1947. £000 omitted.

	1938	1939	1940	1941	1942	1943	1944	1945	1946	1947
a Fixed assets	48,088	55,718	58,384	59,607	60,404	61,493	63,315	65,562	69,285	69,856
b Less Depreciation (corrected)	5,288	6,699	9,304	11,552	14,041	17,092	19,774	22,778	26,223	28,356
c Net book-value	42,800	49,019	49,080	48,055	46,363	44,401	43,541	42,784	43,062	41,500
d Subsidiaries and associated companies, etc.	5,049	6,429	8,075	8,240	7,615	7,641	7,566	7,358	8,473	10,934
e Stocks	6,290	5,279	8,953	10,695	10,528	9,708	9,326	9,739	9,966	7,520
	54,139	60,727	66,108	66,990	64,506	61,750	60,433	59,881	61,501	59,954
f Current liabilities, less money assets ..	-1,662	789	5,303	6,895	5,078	-224	-1,424	-2,309	-286	-3,599
g Debentures	11,262	12,441	11,217	10,026	9,227	8,699	8,077	7,345	3,486	3,185
h Preference capital	5,920	5,366	4,712	4,322	4,088	3,966	3,863	3,731	7,180	8,399
i Maintenance provision	891	1,297	2,350	2,767	2,953	3,645	3,627	4,612	4,031	3,956
j Tax reserve	—	—	—	—	—	2,743	2,848	3,410	2,901	3,080
k Revenue reserves and miscellaneous (corrected)	8,292	8,085	7,255	5,880	4,943	4,209	3,789	3,106	3,653	3,450
l Gain from owing	—	1,850	4,372	6,201	7,318	7,813	8,107	8,440	8,946	9,590
m Ordinary capital, plus premiums	29,436	30,899	30,899	30,899	30,899	30,899	31,546	31,546	31,590	31,893
	54,139	60,727	66,108	66,990	64,506	61,750	60,433	59,881	61,501	59,954

—the loss or gain in the value of the money items. This important factor is shown in 3B as "gain from owing", on line *l*. The three companies have fairly high capital

gearing (see *g* and *h*), and their current liabilities sometimes exceeded money assets (see *f*); so the net result is here a substantial gain, amounting to over £9 million by 1947.*

* Unfortunately, accounts are not required to distinguish between the money and non-money parts of composite items. Thus it is impossible to split line *d* into the two components that here interest us. I have treated the whole of this item as non-money, since a large part of it is equity investments. But in some years the money advances to associated companies must have been substantial; so the figures in *d* and *l* are somewhat too big.

Balance sheet trends contrasted

The ordinary and the stabilised balance sheets (A and B) suggest very different trends. The contrast is best seen by listing the changes between 1938 and 1947:



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*Changes in balance sheet items
1938-47
(£000 omitted)*

	<i>A. Ordinary</i>	<i>B. Stabilised (£ of Dec. 1947)</i>
--	--------------------	---

Asset growth:

Fixed assets, less depreciation and maintenance	1,348	-4,365
Subsidiaries, etc.	4,651	5,885
Stocks	3,373	1,230
Liquid assets, net	2,672	1,937
Total growth	12,044	4,687

Obtained by increase in:

Loans and preference capital	2,001	-5,598
Ordinary capital	1,703	2,457
Reserves: Tax	2,549	3,080
Revenue	5,791	-4,842
Gain on owing	—	9,590
Total reserves	8,340	7,828
	12,044	4,687

In A (the ordinary accounts) the trend is good. Each group of assets has grown somewhat; the total growth is substantial. It mainly results from retaining profits; for the rest, it comes from raising more ordinary capital and long-term money liabilities.

In B, the upward trend is much less clear. Asset growth is small; fixed assets have not been maintained. But there has been a great reduction in long-term obligations; despite some net borrowing, inflation has whittled down the total. Accumulated reserves have grown about as much as under A—but for very different reasons: retained trade earnings are negative, but the gain from owing far outweighs that deficit.

In short, A and B both agree that the equity-holders'

wealth has grown, and by roughly the same amount. But A paints a robust picture of physical assets and trade profit; B shows that physical assets did not expand much, and that the equity-holders' gain sprang mainly from shrewd financing rather than trade. The equity wins what the *rentiers* lose.

Valuation gains in real terms

Table 3C tries to estimate the real appreciation on the fixed assets—that is, the extent to which their values rose beyond the general rise in money prices.

Line *a* revalues the fixed assets by applying the specific index to the historical cost of plant and to depreciation. The results give some notion of what the ordinary balance sheet figures would have been if they had been shown at current replacement cost (for example, in 1947 the current value was some £47 million, compared with £27 million in the published accounts). Line *b* shows fixed assets raised with the general index; the difference—*c*—is thus the cumulative real gain. It reaches over £5 million by 1947.

How far do the real but rather remote gains from appreciation offset deficits on trading profit? To show the whole story, we add *d* and *e*—the gains from owing money.* The grand total of the two types of appreciation, *g*, is double the cumulative trade deficit (about £7 million by 1947—see Table 2A, foot of total column). Thus real capital rose by some £7 million over the period.

However, gains due to plant appreciation and the scaling-down of obligations are somewhat far-off and contingent, whereas a trade deficit could spell speedy and concrete shortages.

* Here analysed by kind of obligation, as gain on the *current* items can perhaps be regarded as realised, whereas gain on the *non-current* items is a long-term benefit.

TABLE 3C
REAL VALUATION GAINS (CUMULATIVE) OF THREE COMPANIES, 1939-47
Current £s. £000 omitted.

	1939	1940	1941	1942	1943	1944	1945	1946	1947
Fixed assets, less depreciation, raised by:									
<i>a</i> Specific index	30,403	36,170	39,087	39,506	38,800	39,202	40,956	45,827	47,485
<i>b</i> General consumption index	30,166	34,394	36,704	37,451	36,964	37,206	37,853	40,109	41,500
<i>c</i> Real appreciation (cumulative)	237	1,776	2,383	2,055	1,836	1,996	3,103	5,718	5,985
Gain from owing (cumulative):									
<i>d</i> On money assets less current liabilities ..	28	272	689	1,008	1,120	1,127	1,108	1,118	1,049
<i>e</i> On debentures and preference capital ..	1,111	2,793	4,044	4,904	5,381	5,795	6,353	7,211	8,541
<i>f</i> Total gain on owing	1,139	3,065	4,733	5,912	6,501	6,922	7,461	8,329	9,590
<i>g</i> Total, <i>c</i> + <i>f</i>	1,376	4,841	7,116	7,967	8,337	8,918	10,564	14,047	15,575

(To be concluded)

It has long been established that buyers of Preference shares should be careful to see just what their rights may be. The following article makes it clear that the legal rights attaching to Ordinary shares may differ greatly from what they are usually assumed to be.

Class Rights of Shareholders

[CONTRIBUTED]

WHERE THE SHARE capital of a company is divided into different classes of shares, the articles of association of the company normally provide that the rights attached to any class may be varied with the consent in writing of the holders of three-fourths of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class. (See Article 4 of Table A of the Companies Act, 1948.)

It is easily conceivable, however, that the majority of shareholders approving a particular variation of rights may have interests conflicting with the interests of the class as a whole—as where Preference shareholders are also substantial holders of Ordinary shares. In such a case the minority shareholders have a possible remedy in Section 72 of the Companies Act, 1948, which enables the holders of not less than 15 per cent. of the issued shares of the class who did not consent to or vote in favour of the resolution for the variation of their rights to apply to the court to have the variation cancelled. In this event the variation is not to have effect unless and until it is confirmed by the court. But this remedy is available only where provision is made by the memorandum or articles of association of the company for varying the rights attached to any class of shares subject to the consent of a specified proportion of the holders of the issued shares of that class; and before disallowing a variation of rights the court must be satisfied that the variation is one which unfairly prejudices the shareholders of the class represented by the applicant(s).

New Preferred Ordinary Shares

Usually an application to the court concerns the rights attaching to Preference or Preferred shares, but in the recent case of *Hodge v. James Howell and Co. Ltd.* (*The Times*, December 13, 1958) it was the rights of the Ordinary shareholders that were involved. The company had an issued capital of £500,000 consisting of 200,000 8 per cent. Preference shares of £1 each and 300,000 Ordinary shares of £1 each. It proposed to create and issue a new class of two million cumulative Preferred Ordinary shares of 5s. each, ranking after the existing

Preference shares. After receiving a fixed dividend of 6 per cent., these shares had certain rights of participation in surplus profits and assets *pari passu* with the Ordinary shares. An Ordinary shareholder—an accountant—objected to this proposal and sought an injunction restraining the company and its directors from issuing any of the Preferred Ordinary shares in consequence of any ordinary resolution passed at an extraordinary general meeting. He contended that special rights attached to the existing Ordinary shares and that a special resolution was necessary in order to create a new class of shares. (An ordinary resolution is one which upon a show of hands requires a simple majority of the persons who, being present and entitled to vote, do vote. A special resolution, on the other hand, requires a three-fourths majority of the members voting.)

Memorandum and Articles Must be Read Together

In the Court of Appeal it was argued on behalf of the plaintiff that two of the articles of the company conferred on the holders of Ordinary shares in express terms the right to receive all the profits distributable as dividends and all the surplus assets on a winding-up after satisfaction of the rights of the Preference shareholders. So far as the articles alone were concerned, it was not disputed that this was so. But Jenkins, L.J. (as he then was) said that the articles could not be considered in isolation. The creation and issue of the new class of shares could be held to constitute an infringement of the rights attached to the Ordinary shares only if it could be shown that on the true construction of the memorandum and articles as a whole those rights included an unqualified right to receive the whole of the profits distributed as dividend, and the whole of the assets available for the members in a winding-up, remaining after satisfaction of the rights attached to the 8 per cent. Preference shares and no other rights but those.

Residual Right not Generally a Class Right

His Lordship went further and said: "In general one expects to find Ordinary shares entitled to the whole of the profits and surplus assets remaining after preferences

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attached to any other class of shares are satisfied, and this residual right is not generally regarded as a special right or privilege or class right attached to the Ordinary shares for the purposes of a modification of rights clause." Romer, L.J., said: "The rights of the Ordinary shareholders of this company are in fact no more than would be implied if no special reference had been made to them in the articles at all." Accordingly, there was nothing to prevent the company from creating and issuing the Preferred Ordinary shares.

On the other hand, it would be possible for a company to restrict its power to issue further Preference or Preferred Ordinary shares in priority to any Ordinary shares already issued by some apt provision in its articles. But in *James Howell and Co.*'s articles no such apt provision was to be found. However, the proposal to create the Preferred Ordinary shares involved giving the Ordinary shareholders a dividend of 6 per cent. in priority to the Preferred Ordinary shareholders' right to participate in surplus profits. This particular right to the 6 per cent. dividend would, it seems, be a class right of the Ordinary shareholders which could be varied subsequently only with the consent of the requisite majority of Ordinary shareholders.

Earlier Cases

Two earlier cases relating to the class rights of Ordinary shareholders are of interest. In *Re Stewart Precision Carburettor Company* (1912) W.N. 100, it was proposed to convert non-participating Preference shares as to three-quarters into participating Preference shares and as to one-quarter into Ordinary shares. Eve, J., said that undoubtedly the reorganisation of the company's capital did interfere with the rights of the Ordinary shareholders in that it transferred from them the right to participate in surplus profits to the extent to which the Preference shareholders were given an interest in such profits. But he did not think it could be strictly said that this right of the Ordinary shareholders to receive such surplus profits was a preference or special privilege attached to or belonging to the class of Ordinary shareholders.

Again, in *Greenhalgh v. Arderne Cinemas, Ltd.* (1946) 1 All E.R. 512, the 2s. Ordinary shares in the company carried the right to one vote per share *pari passu* with 10s. Ordinary shares of the company. Later it was resolved to subdivide the 10s. shares into 2s. shares so as to form one class with the existing 2s. shares and carrying the same voting rights, that is, one vote per new 2s. share. As a consequence of the increased voting power of the original 10s. shares the holder of the original 2s. shares lost control of the company. It was held by the Court that the voting rights of the original 2s. shares had not been varied by the resolution to subdivide the 10s. shares and that the consent of the holder of the 2s. shares to the proposal was not required.

These cases show that, generally speaking, the Ordinary shareholder must rely on his voting power to protect his interests if Section 72 is inapplicable. Cases such as *Hodge v. James Howell and Co. Ltd.* are therefore

unlikely to do anything to diminish the City's lack of enthusiasm for non-voting Ordinary shares.

Unissued Capital

The rights of equity holders to participate in new issues of equity capital have also been the subject of much discussion recently. Where a company has a reserve of unissued Ordinary share capital, should the directors issue such capital to outside interests without the prior approval of the existing shareholders rather than by way of a rights issue to them? A recent example comes to mind. The directors of *Pye, Ltd.* required to raise £655,000 in connection with the acquisition of the *Lindley Thompson Transformer Company*. To provide this sum they arranged to issue up to 1,068,950 Ordinary shares of 5s. each to a banking firm at 13s. each, less a discount of 6d. a share, making an effective price of 12s. 6d. a share. When the details of this arrangement were made public the market price of the Ordinary shares of the company was in the neighbourhood of 15s., so that a rights issue would have been of some value to the existing shareholders. In this case, however, the number of new shares was not unduly large in relation to the shares already in issue. But a different situation may obtain where the number of unissued voting shares is greater than the number of voting shares issued. Control could then pass out of the hands of existing shareholders if the reserve shares were issued to outside interests. Again a debenture may be issued which carries the right within a given period, and on terms, to convert part of it into Ordinary shares. In either case the principle that the equity belongs to the equity holders is encroached upon. Some company chairmen have therefore given assurances lately that the directors will not issue such number of the reserve shares as would substantially alter the control of the company without the shareholders' consent, or will issue not more than a small percentage or very small percentage of the equity without prior approval.

The question then arises how far such assurances are of value. Clearly, they cannot bind future directors, and even in the case of existing directors they must generally be considered as morally binding rather than legally binding. It is difficult to see what consideration moves from the promisees, the existing shareholders (see *Price v. Easton* (1833) 4 B. and Ad. 433), or upon what basis damages could be assessed for breach of contract even if a contract could be established. But when shareholders are asked to authorise an increase of capital—and particularly an increase which is large in relation to the issued capital—it is only right and proper that they should insist upon appropriate assurances being given before they vote for the increase of capital. Looking ahead, however, if effective legal safeguards are required, it may well be that an amendment of the company's articles may be necessary. The difficulty may then be to persuade the directors that such an amendment is necessary, and to induce them to take the initial steps in the matter, for undoubtedly some measure of flexibility is necessary for the conduct of the company.

No Taxation Without Complication

By Edward Symonds

UNDER THE CONSTITUTIONAL practices of the United States the Budget-making season is so long that one fiscal year merges almost imperceptibly into the next. The spending agencies start preparing their submissions to the Bureau of the Budget before Presidential recommendations that were made in the preceding year have completed their assault course through the Congress. But often a fundamental issue of financial or taxation policy arises out of the morass of budgetary detail and dominates the discussion. This year the give-and-take between Republicans and Democrats has served to emphasise the underlying concern, on both sides of the fence, at present levels of taxation. From the opulent pages of *Fortune* to the subdued stories of *The Nashville-Tennessee Banner*, the Press does not cease to remind readers that, for instance, the Federal tax bill has increased fifteenfold in the last two decades and that, even in times of fairly normal (if uneasy) peace, there is no prospect at all of relief.

The election of last autumn, fought on the issue of excessive Federal spending, with the Democrats being pilloried as the spend-thrifts and wastrels, was lost on that very issue by the Republicans. President Eisenhower has since admitted, with his usual candour, that he has found people unimpressed by the chest-beatings about Federal spending, whereas they do begin to take notice when the issue is linked with the advance of inflation. Recent months have accordingly heard much talk about the need for a balanced Budget in 1959/60 as a means of countering inflation, and on the dangers to America of "spending

itself into bankruptcy". One unfortunate by-product of this redoubled emphasis on the need for Budget-balancing has been to increase the vogue for devices which are neither relevant to the ever-present problem of inflation nor conducive to a clear presentation of the national accounts.

As in Britain, the main social security expenditures—now running in the United States at the rate of nearly \$10,000 million annually for old age, sickness and death alone—are presented in the guise of an insurance system, and as such are excluded from the Budget figures. This reassuring formula, overlooking as it does the absence from the social security scheme of any effort to observe the essential insurance principle that contributions must be matched to the specific risks covered, has in fact obscured the deflationary effects of the usual excess of total contributions over total benefits. But other such "trust funds" have had the politically much more beguiling effect of hiding large net expenditures which would otherwise have shown up in the national Budget.

A particularly ingenious example is the new form given to the machinery, set up before the Republicans came to power, to cheapen house mortgages and thus encourage home ownership. The Federal National Mortgage Association, affectionately known as Fanny May, was transformed into a trust fund and taken out of the Budget. But it could not achieve its purpose without running the risk of drying up the pool of private money available for housing finance, unless its sales of mortgages to private investors were at times less

than its purchases of new mortgages; in 1958/59 repayments and sales are expected to fall below purchases by \$678 million. To cover next year's estimated deficit the device hit upon is to offer mortgages worth \$335 million instead of cash to holders of maturing government securities; these mortgages will thereby in effect be built into the National Debt without requiring a direct entry in the Federal Budget.

The special book-keeping for the \$15,000 million highway programme launched in 1956 has not worked out so satisfactorily. The trust fund devised for the programme was to be fed by the proceeds of the road taxes. But the yield has not proved equal to the task, and by next year the deficit in the fund is expected to amount to \$241 million. The proposal of the Administration to raise the petrol tax by 1½ cents a gallon has been sidetracked by Congress (and so, probably, will be the companion proposal to banish to the trust fund the \$41 million at present shown in the Department of Commerce vote for work on roads in public forests and other government lands). The net effect will be that the massive road programme will continue to be paid for out of current tax revenues, but that, instead of its being totally concealed from view, about a third of it will show up in the Budget.

In accepting the need for an increase in the resources of the International Monetary Fund the Administration had no alternative to including the sum of \$1,375 million, representing a half of the United States quota, in the Budget. (The \$3,175 million needed for the World Bank offered the singular attraction that, being only a contingent liability, it did not have to appear in the expenditure accounts for the year at all.) There is no chance that the Fund money will be spent in the present fiscal year, which ends on June 30, and it is therefore puzzling at first to discover that the Administration recommended including it in this year's spending. The explanation is that devotion to the principle of keeping down government expenditure—or at any rate apparent government

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expenditure—resulted in the attitude that a deficit this year is in any event inevitable (it is expected to be about \$13,000 million) but that for next year there is still some hope of balance. Republicans as well as Democrats found this flimsy reasoning on which to base the case for bringing forward the authorisation, and it was dragged out into the open with a good deal of indignant Congressional clucking.

Underlying these multifarious and at times rather nonsensical manoeuvres, there is no doubt that financial circles in America are increasingly concerned at the impossibility, despite fierce attacks on foreign aid, school and unemployment support and other good subjects for economy appeals, of lightening the load of taxation. With Federal taxes running at \$68,000 million, State and local taxes at another \$36,000 million and social security payments at another \$10,000 million, the total amount pre-empted from individual incomes has already passed 25 per cent. of the gross national product—the point beyond which

some (following Colin Clark) consider that production and efficiency begin to suffer.

There are plenty of crusaders—particularly among the large taxpayers—who stress the damage done to the American economy by the present level of taxation. But what is not so often noticed is the sheer administrative difficulty of collecting from the taxpayer such enormous sums. The Internal Revenue Service, with a staff of 50,816 and an annual appropriation of \$475 million, is now collecting about \$80,000 million in Federal taxes. This gives it a ratio of tax gathered per person employed of approximately \$1.6 million. But this highly streamlined performance is in some ways a precarious achievement. The Service can no longer do more than spot-check even the arithmetic of the seventy million income tax returns that it handles. Over a large field the income tax structure now depends on self-assessment—neither dividends nor interest is taxed at source, and even the amount due is worked out by the taxpayer and submitted with his return.

Certainly, for the accountancy profession, this inexorable advance of taxation has had its compensations. The sums at stake have very frequently become too large for the amateur to trust himself with. The accountancy profession in the United States has no such virtual monopoly of taxation work as it has in the United Kingdom—American lawyers are firmly entrenched in doing work that in Britain would be done by accountants. But there is enough work and much to spare for C.P.A.s and other qualified accountants. The American Bar Association now contains among its members 7,000 tax specialists, twice as many as ten years ago; the Treasury's roll of licensed "tax counselors" contains 80,000 names. It is hardly surprising that, at this time of the year, when the returns have to be submitted, one sometimes receives the impression that earning income requires less time and effort than paying the tax on it! And this is in the country that, according to the wits, came into existence to escape taxation.

Washington, D.C.

Accountant at Large

On Retiring Gracefully

"I NEARLY BECAME involved in a criminal conspiracy the other day—and quite inadvertently too, you'll be surprised to hear," began the Accountant modestly.

"Well, perhaps you were a little slow to consult your professional advisers?" suggested the Common Lawyer.

"No, not at all. It was in the very act of consulting them that we so nearly committed this serious offence. I had received a letter from a distant client to say that the company of which he was a director was proposing to make him an *ex gratia* payment, something on the lines of one we had handled before, and asking whether I could make an appointment

with tax counsel to consider the point.

"The train was delayed nearly two hours when my client came up to see me, and we had to miss the preliminary discussion and go straight to meet the solicitor with Counsel. The client is a forthright gentleman, who brushed aside formalities and explained his business in a few brief words: 'I'm about to retire from the business, and they want to make me a gift from the company. They tell me that this sort of thing is normally taxable, but if you see a lawyer first and call the payment compensation for loss of office, it's all right, so that's why I've come'."

"There was an awkward pause at

that, I suppose," put in the Chancery man.

"Yes," said the Common Lawyer. "I see what you mean about a conspiracy to defraud the Revenue, but you soon explained away that unfortunate opening, I suppose?"

"Well, I thought for one dreadful moment they were going to ask us to leave, but the solicitor gave one of those coughs that we all use at some time or other, and lent things a very different complexion in two sentences. 'I think the matter is a little more open than that,' he said. 'The company desire to make some offer to their director on his retirement, and we have come to explore the possible effects of income tax upon such a payment.'"

"Then we all settled down to discuss the point!"

"Well, I see the main consideration which your client had in mind," mused the Common Lawyer. "A payment as a bonus on the retirement

of a director is certainly taxable, whilst if they really did sack the man and he sued them, any damages agreed upon as a compromise would be received tax-free. Where do we go from there?"

"Well," said the Chancery man, "I can take you one step further at least. If the director is entitled to anything under his service contract at the expiry of his term, then that sum appears to be taxable in his hands, because it was originally agreed upon as part of his remuneration for doing the job. It seems to me much the same in principle (much though I dislike conceding these points to the Revenue), whether he is paid £1,000 a year for five years plus £2,500 at the end of it, or £1,500 a year over the whole period. If the Revenue conceded a difference there, there would scarcely be a director in the country paying income tax."

"Yes, we are agreed upon that, I think," observed the Accountant, "but what about the case when the agreement has still some years to run and the retirement is, so to speak, premature? This is the province of the Common Lawyer, isn't it?"

"Oh, yes. If your client had signed an agreement to serve until he was 100, and the company then asked him to go at the early age of 88, I don't see why, on general principles, he should not take a lump sum payment free of tax for cancelling his rights under that agreement—provided, of course, that the payment wasn't made the day after he signed the original agreement to serve until 100!"

"No," agreed the Chancery man, "that payment clearly should be tax free, with one reservation. It seems that if the original agreement contained a clause providing for a specific lump sum payment on early retirement, and that sum was in fact the sum given, this state of things seems to make the payment one made under the agreement and taxable on the principles which we have just discussed—that it is a payment specifically provided for in a service agreement and is part of the consideration for serving originally. That is the great reservation in principle. There is another small reservation in prac-

tice: if the agreement has only a year or so to run when the director retires, it is pretty certain that the Revenue would class any compensation as being in lieu of salary for that year, and would ask for their eternal pound of flesh. This brings us back to your man. He was contemplating retirement within a matter of months in any event, I understand?"

"Yes."

"Is it a permanent retirement?" asked the Common Lawyer, "or might it be practicable to sign an agreement not to compete, in consideration of the lump sum? While he works for the company we know he would be taxed on such a payment, but surely not when he leaves?"

"Well, we did explore that line, but it appeared from the conversation that any such agreement would be highly artificial, because our client is over 60, has worked for 43 years with this company and still has a substantial shareholding; what is more, he emphatically declares that he is retiring for the very good reason that he wants a rest. That point was really what spoilt a large number of somewhat ingenious suggestions which were put forward by our client himself, and which have been put forward at other times by other clients. They come to us with fairly inflexible ideas on what they want to do themselves, yet conceive somewhat extravagant ideas on the elasticity of thought possible within a legal framework. I suppose you meet that sort of thing occasionally too?"

"Oh, yes. Some of the ideas are adopted by the solicitors first, though, you know, and eventually make fresh law! But isn't there another side of the question in your man's case? You say he has a fairly substantial shareholding in his company, and surely if you succeed in paying him a lump sum tax-free, it is pretty certain that his company will not be allowed to deduct it from their yearly profits, so it will bear a certain amount of tax in any event?"

"Yes, that did weigh a little in this case, and was probably the deciding factor with our man himself when it was all explained. He hasn't got a majority shareholding, but his family do together own a large part of the

company, and it might have been merely taking money out of their pockets for the dubious benefit of his. I say dubious, because he might have had to fight the point to the Lords to justify some of the more imaginative ideas which were put forward.

"In the circumstances we decided upon a pension. Had it been arranged a few years before we might have obtained a better proposition from the tax point of view, and he could have commuted on the spot. This arrangement would have covered everything, because the company would have been able to take even a lump sum payment from taxable profits. It seems a little strange that if he had been entitled already to a pension he could have commuted it for a tax-free lump sum, when he cannot otherwise receive a lump sum tax-free, but we are not going to quarrel about that now. The concession is too valuable to other people! Our man can't very well commute on the spot now, but a pension at any rate is safe, because we know the limit with the tax people. We thought it better to follow where the paths had been cleared for us, rather than try to fight a new way through to much the same end. When we first discussed the matter, our client said most emphatically that he wanted a lump sum, but then he began to see the difficulties, so we tried to find out why he was so keen on the lump sum, and it turned out that he really hadn't any very original ideas on what to do with the money at all. We managed to make him see then that there were better ways of spending it than on a lawsuit to the Lords for the support of you fellows!"

"Isn't he the sort of man who would enjoy a good fight, then?"

"Well, yes and no. We told him the approximate cost, and his face fell visibly. Now he has gone away with a thoughtful expression to consider the pension. He can always commute it later if he really decides to start something fresh and wants the capital, or he can mortgage his pension and get it that way. I think we shall persuade him all right. Most of these people who seem difficult customers are quite sensible at heart really, but they just pick up some funny ideas."

The Finance Bill

SO FAR AS income tax, profits tax and estate duty are concerned, the Finance Bill merely gives effect to the Budget resolutions. The changes in the rates of tax were set out in ACCOUNTANCY for April (pages 197-8). The only addition that has to be made here is that the surtax rates for 1959/60 are, like those for 1958/59, to be the same as those for 1957/58. It should be remembered that there will be nothing to prevent the Finance Act next year altering these for 1959/60. Another consequential alteration is in connection with tax-free payments under the provisions of Section 486 of the Income Tax Act, 1952. That Section applies to any arrangement made in writing before September 3, 1939, and not varied before July 22, 1941, for the payment of a stated amount free of income tax or free of income tax other than surtax, provided that the provision for the payment is contained in (a) a deed or other instrument; (b) a will or codicil; (c) an order of the Court; (d) a local or personal Act of Parliament; or (e) a contract. A provision for the payment of such a sum as will, after the deduction of income tax, be equal to a stated sum is regarded as a free of tax payment for this purpose. To pass on to the recipient the increased rates of tax over those in force in 1938/39, it is provided that the stated amount of any payment falling to be made in any year of assessment in which the standard rate is more than 5s. 6d. is reduced to a fraction of the original stated amount so that the gross equivalent remains the same as it was when the rate of tax was 5s. 6d. in the £. While the standard rate was 8s. 6d., the reduction was twenty-three/twenty-ninths of the stated amount. Now that the standard rate is to be 7s. 9d., the fraction becomes forty-nine/fifty-eighths.

Illustration

A borrower had agreed prior to September 3, 1939, to pay interest on a loan for £2,900 at such rate as after deduction of income tax at the current rate from time to time would be equal to 3 per cent. The amount payable in 1959/60, therefore, will be:

$$£87 \times \frac{49}{58} = £73 \text{ 10s.}$$

The payer, therefore, suffers the same amount as when tax was at 5s. 6d. and the payee bears the extra tax, as is shown below:

1958/59: Gross amount of £87 with tax at 5s. 6d.	120
Tax at 5s. 6d.	33
The stated amount	£87

The new payment of £73 10s. with tax at 7s. 9d. would give

the same gross, £120, the tax on which is £46 10s. The payee, therefore, bears the difference between £46 10s. and £33, that is, £13 10s. This is tax at 7s. 9d.—5s. 6d.=2s. 3d. in the £ on £120. The £120 is, of course, part of the payee's income on which he has suffered tax at 7s. 9d. for all purposes.

Investment Allowances

For the purposes of the investment allowances, expenditure is not to be treated as being incurred after April 7, 1959, by reason only of the fact that it was expenditure incurred by a person for the purpose of the business before he began to carry it on. If an investment allowance is withheld or withdrawn by reason of a sale or transfer of the asset to which it relates, the same initial allowance is to be made as would have been available if no investment allowance had been made.

Bond washing

There are four clauses and a schedule dealing with the closing of the loophole in bond washing. Bond washing consists in the purchase of securities cum dividend and their sale shortly afterwards ex dividend. The purchaser, therefore, has a taxed dividend but he has a loss on the purchase and sale for which, if he is a dealer in securities, he will get relief by reducing his profits or by repayment in respect of the loss. Under the proposed provision, in computing the loss on the purchase and sale in the case of a dealer in securities, the purchase price is to be reduced by a proportion of the net amount of interest received by him. The proportion is to be calculated by reference to the time between the purchase of the securities and the date on which the stock was previously quoted ex dividend. If the securities are not quoted, the appropriate body of Commissioners is to decide the proportion. The provisions are not to apply to purchases made before April 8, 1959, or where more than six months have elapsed between the purchase and sale, or where more than one month has elapsed and the Commissioners are satisfied that the purchase and sale were each effected at the current market price and not in pursuance of an agreement made before or at the time of purchase. The effect is, therefore, that the increase in the purchase price due to the accrued amount, at the date of purchase, of the dividend next receivable must be deducted from the purchase price in arriving at the profit or loss on the deal. Discount houses and jobbers on the Stock Exchange are not included. Exempt bodies such as pension funds are, however, caught within the net; so are traders who,

having made a loss, buy dividends in order to obtain repayment of tax under Section 341 of the Income Tax Act, 1952 (where they are not already caught under the dividend stripping provisions).

Dividend Stripping

A clause is included to confirm the double taxation agreement with the Republic of Ireland so that for 1959/60 dividend stripping in one country cannot be effected through finance companies in the other. It appears that the Revenue in each country will be able to challenge schemes which have been in force in the past where it thinks that they are vulnerable under the then existing law.

Profits Tax

Provision is made that the increased limits on directors' remuneration where there are full-time directors are to apply only as from April 1, 1959, so that, where an accounting period bridges that date, the old rates will apply on a time basis to the proportion of the accounting period

up to that date and the new rates will apply to the remainder.

Estate Duty

As was expected, the Bill proposes to make statutory the estate duty concession that was made last year. Where a person has assigned a policy of assurance but continues to pay the premiums, the proportion of the value of the proceeds of the policy that is attributable to premiums paid after the assignment is to be treated as a gift subject to the usual five-year rule in the event of the death of the donor. If the donor has vested his rights under the policy by surrender, the value to be apportioned is the value at the time of the surrender of the consideration for the surrender. In the case of a disposition other than a surrender, the value to be taken is that of the consideration for the disposition valued at the time of disposition, or, if there was no consideration or the value of the consideration was less than the market value of the policy at that time, the market value of the policy. The clause is to have effect on deaths after April 7, 1959.

The New Business

THE DATE OF commencement of a business is always a question of fact; it is the date on which the proprietor begins to keep what may be called "open house" for the transaction of the trade, profession or vocation in point. It may be that he does no actual business for some time, as may happen with a professional man who opens an office without any clients. Often preparations for the opening of business take some time; premises have to be secured, furniture and (where relevant) machinery, etc., acquired, staff engaged. These are preliminaries which precede the commencement of business.

Where a company is formed to conduct the business, the date of commencement of the business of the company cannot be earlier than the date of its incorporation. If business is in fact carried on earlier, it is the business of the persons then carrying it on.

A change in ownership of a business results in its being assessed as if it had been discontinued and become a new business of the new owners. To that there is only one exception (other than on a company reconstruction without real change of control)—namely, where there is at least one person who is an owner after the change who was an owner before it, e.g. in a change in a partnership where one or more partners continue; in these circumstances assessment will still be as for a discontinuance and commencement unless all the partners in the old and new firms give written notice within twelve months of the date of change requiring assessment to continue as if there had been no change in ownership.

Basis of assessment

The rules of assessment for a new business are:

First year of assessment

The actual profits from the date of

commencement to April 5 following.
Second year of assessment

The profits of the twelve months from the date of commencement.

Third and subsequent years of assessment

The profits of the accounting year ended in the preceding year of assessment.

Apportionments are to be made in months and fractions of months, though fractions are not always insisted upon.

Illustration

B commenced business on February 1, 1957, and made up his accounts to January 31, 1958, showing a profit, as adjusted for income tax purposes, of £900.

Assessments:

1956/57 Actual profits to 5.4.57

$\frac{2\frac{1}{2}}{12} \times £900 = \dots \dots \dots 162$

1957/58 Profits of 12 months from 1.2.57

1958/59 Profits of previous year

Allowable adjustments

It will be seen from the above that the first accounts normally form the basis of assessment for the first three years of assessment, which might be

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very tough where the first year's profits could not be maintained.

Illustration

Business commenced April 10, 1957, accounts made up to April 9, 1958, profit £1,200.

Assessments:	£
1957/58 $\frac{11\frac{5}{12}}{12} \times £1,200 =$	1,183
1958/59	1,200
1959/60	1,200

The profits of the business for the year to April 9, 1959, prove to be £600, those to April 9, 1960, £1,400. In such circumstances, the taxpayer has the right to make a claim, within seven years from the end of the second year of assessment, to be assessed on the actual profits of the second and third years of assessment. He must claim for both years but if he finds that he has made a mistake he can revoke the claim within six years of the end of the third year of assessment (i.e. by the same closing date).

Illustration

Taking the above facts, the taxpayer could claim to be assessed as follows:

	£
1958/59 $\frac{1}{12} \times £1,200 + \frac{11\frac{5}{12}}{12} \times £600 =$	609
1959/60 $\frac{1}{12} \times £600 + \frac{11\frac{5}{12}}{12} \times £1,400 =$	1,388
The 1958/59 assessment would then be reduced from £1,200 to £609, a reduction of ..	591
The 1959/60 assessment would be increased from £1,200 to £1,388, an increase of ..	188
Tax being saved on	403

There are occasions where, if the rate of income tax is changed, there may be a net increase in assessments but a saving in tax nevertheless.

Illustration

Business commenced December 6, 1953. Profits to December 5, 1954, £2,000; December 5, 1955, £900; December 5, 1956, £5,340.

Normal Assessment

	£
1953/54 $\frac{4}{12} \times £2,000$	667
1954/55	2,000
1955/56	2,000

Assessment if claim made

	£
1953/54 (Unchanged)	667
1954/55 $\frac{8}{12} \times £2,000 + \frac{4}{12} \times £900$..	1,633
1955/56 $\frac{8}{12} \times £900 + \frac{4}{12} \times £5,340$..	2,380
Net increase in assessments	
£2,000—£1,633 ..	367
£2,380—£2,000 ..	380
Increase	13

	£	s.	d.
Tax saved:			
£367 at 9/- in £ ..	165	3	0
Less:			
£380 at 8/6 in £ ..	161	10	0
	3	13	0

	£	s.	d.
The saving is, of course:			
£367 at 6d.	9	3	6
Less £13 at 8/6 ..	5	10	6
	3	13	0

The effect of capital allowances

It must always be borne in mind that a claim to be assessed on the actual profits of the second and third years of assessment will greatly accelerate the capital allowances which are given in the assessments, as the basis periods are changed.

Illustration

Business commenced January 1, 1957. Accounts to December 31.

Under normal assessments, the capital expenditure ranking for capital allowances would be:

1956/57 ..	the expenditure to April 5, 1957
1957/58 ..	the expenditure from April 6, 1957, to December 31, 1957, plus for annual allowances the written down value of the earlier expenditure
1958/59 ..	the written down value of the above,

Were claims made, then for:

1957/58 ..	the capital expenditure of the year to April 5, 1958, would come in and for
1958/59 ..	that for the year to April 5, 1959.

The total allowances over the lifetime of the assessment would not be affected, but their incidence would be changed.

Broken periods

Where accounts are not made up for periods of twelve months, apportionments have to be made to fit the rules already stated.

Illustration (1)

Business commenced June 1, 1956, accounts for the period to December 31, 1956, profit £1,500; year to December 31, 1957, £2,400.

Assessments	£
1956/57 $£1,500 + \frac{3\frac{1}{2}}{12} \times £2,400$	2,133
1957/58 $£1,500 + \frac{5}{12} \times £2,400$	2,500
1958/59	2,400

Illustration (2)

Business commenced June 30, 1956, accounts to September 30, 1957, £1,500; to September 30, 1958, £2,400.

Assessments	£
1956/57 $\frac{9\frac{1}{2}}{15} \times £1,500$..	917
1957/58 $\frac{12}{15} \times £1,500$..	1,200
1958/59 do.	1,200
1959/60	2,400

Early losses

Should there be a loss in the first period, the amount of the loss available will depend upon the claim that is made in respect of it.

Illustration

Business commenced May 1, 1956. Accounts to April 30, 1957, showing a loss of £1,200. That will mean *nil* assessments for 1956/57, 1957/58 and 1958/59. If a claim was made in 1956/57 for relief under Section 341, the claim would be on $11\frac{1}{12} \times £1,200 = £1,117$. If not claimed in 1956/57, the relief could be claimed in 1957/58. Any Section 341 claim will be on the actual loss for the year of assessment until 1959/60 (or 1960/61 if there is a claim for "actual" basis assessment in 1957/58 and 1958/59, which would only be made if it were desired to accelerate capital allowances).

For a claim under Section 142, however, i.e. to set the loss against a profit in another business, the loss must be computed in the same way as a profit, thus:

Taxation Notes

	£
1956/57 Actual loss:	
$\frac{11\frac{1}{2}}{12} \times £1,200$	1,117
1957/58 Loss of first 12 months	1,200
1958/59 Loss of preceding year	1,200

Relief is therefore practically triplicated with a commencing date early in the year of assessment.

For relief under Section 342, there can be carried forward only such loss as has not been relieved under any other provision of the Income Tax Acts. In the above case, if no claims were made under Section 341 or Section 142, £1,200 could be carried forward.

The contrast between Sections 142 and 342 is seen in the following circumstances.

Illustration

Business commenced June 1, 1956. Accounts to December 31, 1956, loss £1,000; to December 31, 1957, profit £600.

Assessments

	£
1956/57—£1,000 + $\frac{3\frac{1}{2}}{12} \times £600$	nil
1957/58—£1,000 + $\frac{5}{12} \times £600$	nil
1958/59	600
Under Section 342, loss b/f	1,000
Less used in above-assessments:	
$\frac{3\frac{1}{2}}{12} \times £600 + \frac{5}{12} \times £600$	408
	592
	8

Had it not been for the loss, there would have been assessments in 1956/57 and 1957/58 of $\frac{3\frac{1}{2}}{12} \times £600 = £158$ and $\frac{5}{12} \times £600 = £250$ respectively, so relief for the loss has been had to that extent.

For Section 142, however, the calculation proceeds:

1956/57—£1,000 + $\frac{3\frac{1}{2}}{12} \times £600$	= Loss £842
1957/58—£1,000 + $\frac{5}{12} \times £600$	= „ £750

The Council on Tribunals—

By the Tribunals and Inquiries Act, 1958, a Council on Tribunals is provided for. So far as it affects income tax the Council is to keep under review the constitution and working of the following bodies:

- General Commissioners;
- Special Commissioners;
- Commissioners for public offices in municipalities;
- the Board of Referees set up to determine and review percentages for annual allowances in respect of machinery or plant.

The Council is also to consider and report on such matters as may be referred to it with respect to tribunals other than the ordinary courts of law, whether or not included in the above list; and also on such matters as may be referred as above or as the Council may determine to be of special importance with respect to administrative proceedings involving, or which may involve, the holding by or on behalf of a Minister of a statutory inquiry or any such procedure. A Scottish Committee of the Council consists of either two or three members of the Council designated by the Secretary of State and either three or four persons, not being members of the Council, appointed by the Secretary of State. The Secretary of State appoints one of the former class of members to be chairman of the Scottish Committee. The Council is not to deal with any matter with respect to which the Parliament of Northern Ireland has power to make law.

The Council may make to the appropriate Minister general recommendations as to the making of appointments to membership of the bodies listed above. The term "Minister" here includes any Board presided over by a Minister.

The power to remove a member of any of the above bodies by anyone other than the Lord Chancellor is not to be exercisable except with the consent of (a) the Lord Chancellor if

the body does not sit outside England or Wales; (b) the Lord Chancellor and the Lord President of the Court of Session if the tribunal sits in all parts of Great Britain; (c) the Lord Chancellor, the Lord President of the Court of Session and the Lord Chief Justice of Northern Ireland, if the tribunal sits in all parts of the United Kingdom; (d) the Lord President of the Court of Session if the tribunal sits only in Scotland; and (e) the Lord Chief Justice of Northern Ireland if the tribunal sits only in Northern Ireland.

The provision regarding removal of members does not apply to the Special Commissioners.

Under the 1958 Act vacancies among the General Commissioners occurring after the appointed day which would formerly have been supplied by persons named in lists drawn up by the Land Tax Commissioners are to be supplied by persons appointed by the Lord Chancellor. The property qualification for General Commissioners and Additional Commissioners is abolished and General Commissioners and Additional Commissioners are to be entitled to receive payments by way of travelling allowance or lodging allowance of such amounts as may be determined by the Treasury.

—And No Giving of Reasons by Referees and Income Tax Commissioners

Reasons are to be given, if requested beforehand or at the time, for decisions of Tribunals or Ministers—unless reasons are refused, or their specification is restricted, on the grounds of national security. Moreover, reasons may be refused to be given to a person not primarily concerned with the decision if it is considered that to furnish reasons would be contrary to the interests of any persons primarily concerned. The giving of reasons does not apply where, after consultation with the Council, it appears to the Lord

Chancellor and the Secretary of State that it is expedient that decisions of any particular body, or any description of such decisions, should be excluded on the grounds that the subject matter of the decisions or the circumstances in which they were made make the giving of reasons unnecessary or impracticable.

The Tribunals and Inquiries (Revenue Tribunals) Order, 1959 (S.I. 1959 No. 452) made by the Lord High Chancellor of Great Britain and the Secretary of State for Scotland provides that no reasons need be given for decisions of the Board of Referees, or for decisions of Income Tax Commissioners to which the appeal procedure by way of case stated under the Income Tax Act, 1952, applies. The Special Commissioners may, however, be required to give reasons in cases in which a re-hearing by the Board of Referees may be required. The Order came into operation on April 1, 1959.

The question will be asked whether it is reasonable that Commissioners and Boards of Referees should be exempted from giving reasons for decisions. This is a very difficult question, because the function of these bodies is the determination of facts and if reasons are given it makes it somewhat easier for an attack to be made on the decisions, whereas if no reasons are given, the courts are faced with a pure decision of fact without knowing what was in the minds of the members of the body which gave the decision. To publish reasons would probably have the result that the Commissioners would have to look at the facts more from the viewpoint of a judge than that of a jury. So long as the Commissioners and Board of Referees are performing functions comparable to that of a jury, it would seem that it would be better that they should not be required to give reasons for a decision. In many ways it may be a pity that they should not, because it would be helpful—to practising accountants, in particular—to know the reasons. But weighing up the advantages and disadvantages, it seems to us that the decision which has been made is the right one.

Valuation of Shares for Estate Duty—Allowance for Prospective Tax Liabilities

Where shares have to be valued on an assets basis as a result of Section 55, Finance Act, 1940 (as amended by the Finance Act, 1954) there can be taken into account as if it were an actual but contingent liability any liability of the company arising or which may arise after the death for taxation on income or profits, in so far as the liability or its amount is referable to income or profits accruing before the death, whether then realised or not, but only to the extent that the Commissioners of Inland Revenue consider that income or profits arising after the death are likely to be insufficient to meet the liability (Section 30 (3), Finance Act, 1954).

As a contingent liability the Commissioners of Inland Revenue have to determine its reasonableness (Sections 50 (1) and 55 (2), Finance Act, 1940). It is understood that the Commissioners will treat the taxation liability under Schedule D as apportionable for this purpose. In the usual case, a deduction can be expected only if the profits of the year of assessment following that in which the death occurs are less than the tax levied on the basis of profits arising before the death.

In the case of property or investment-dealing companies, it appears to be the practice to allow as a contingent liability tax calculated on any excess of the value of the stock in trade (i.e. property or investments) at the date of death (which will be at market value) over the value for income tax at the beginning of the year of assessment in which the death occurred (which will be at the lower of cost or market value). In considering any contingent liability for profits tax where the business ceased prior to April, 1958, there must be borne in mind the possibility of a distribution charge if the assets of the company are distributed.

Doubts have been expressed whether tax in respect of a balancing charge arising after the death can be included as a contingent liability under the Section. It has been argued that neither the liability nor its

amount can strictly be said to be referable to income or profits accruing before the death (see, for example, the third cumulative supplement to *Hanson's Death Duties* (10th edition), by Smith and Fletcher, par. 1529), despite the fact that the charge is computed by reference to the facts in the basis period which is the same as that forming the basis of the Schedule D assessment. Following the decision of the House of Lords in *C.I.R. v. Wood Bros. (Birkenhead)* [1959] 1 All E.R. 53, that a balancing charge is not "income" for the purposes of a surtax direction, it may be that the argument is right, but to ignore it seems to be outside the spirit of the Finance Act, 1954, and where relevant the point ought to be taken.

Double Taxation Relief—Overseas Territories and Denmark

By an exchange of Notes between the United Kingdom and Denmark, the Convention for the avoidance of double taxation and the prevention of fiscal evasion of March 27, 1950, is extended with certain modifications to Kenya, the Federation of Rhodesia and Nyasaland, Tanganyika, Uganda and Zanzibar (Cmd. 705, Her Majesty's Stationery Office, 6d. net). The 1950 Convention was originally published as Treaty Series No. 47 (1950) dealing with the avoidance of double taxation, etc., between the United Kingdom and Denmark, and reproduced in the Double Taxation (Taxes on Income) (Denmark) Order, 1950—S.I. 1950, No. 1195. It followed broadly the usual pattern of double taxation agreements. One of its clauses provides that dividends received by a United Kingdom company from a Danish subsidiary in which it controls at least 50 per cent. of the Ordinary share capital are exempted from Danish tax, while the rate of Danish tax on other dividends received from Denmark by United Kingdom residents is not generally to exceed 5 per cent. An exchange of Notes in 1955 (Treaty Series No. 34 (1955) Cmd. 9468) extended the Convention, with modifications, to most of the Crown Colonies: the new agreement takes this a stage further.

The Domicile Bill

The Domicile Bill has now been dropped, owing to objections that it did not do what it was intended to do, and would still leave the United Kingdom out of step with other countries. The taxation implications were prominent among the criticisms. It has been stated that the Bill had a very full debate—not in the Commons but in the letter columns of *The Times*.

To accountants it is difficult to see why, if they are a stumbling block, the taxation aspects could not be dealt with in a Finance Bill to come into force at the same time as any change in the law of domicile.

Tortuousness

In the preface to the first edition (reproduced in the third edition, recently published) of his *Taxation of Gifts and Settlements*, Master Wheatcroft says: "This book tries to give the would-be donor or settlor and his advisers a map of the seas on which they wish to sail. It shows that in some waters the Revenue Acts are all-embracing, in others they take a smaller toll and in a few they can be avoided altogether by tortuous and careful navigation."

Those who favour the last procedure "must study the relevant statutes and cases and make a detailed chart of the channel they intend to take, they must usually take a pilot in the form of an expert to settle their documents, and they should always remember that the Revenue Acts do not remain stationary. There is a new Finance Act every year and the Courts are making new law all the time by their decisions. The tax avoider who sails close to the shoals may find that they have shifted overnight, and, in the words of Lord Greene, M.R., 'It scarcely lies in the mouth of the taxpayer who plays with fire to complain of burnt fingers'" (*Lord Howard de Walden v. C.I.R.* [1942] 1 K.B. 389, page 397).

Many errors may arise from the failure to trace legislation through. It is so easy to delve into a Finance Act and think it contains the answer, whereas reference back will put the searcher right.

As an example, consider Section 15 of the Finance Act, 1956, which "suspends" investment allowances in respect of expenditure incurred after February 17, 1956, except in respect of the provision of ships, expenditure under a contract entered into by that date and—here it is necessary to quote the exact words:

... investment allowances shall also continue to be made under chapters I and II of . . . Part X [of the Income Tax Act, 1952] in respect of expenditure incurred after the said seventeenth day of February on industrial buildings or structures, or on machinery or plant, in so far as the expenditure consists—

(a) of expenditure incurred in adding, to any building, structure, machinery or plant in the United Kingdom which is or has been already in use, any insulation against loss of heat; or

(b) of expenditure incurred on providing, by way of modification or replacement of plant in the United Kingdom which is or has been already in use, plant of any description prescribed for this purpose in the interests of fuel economy (i.e. as prescribed by orders made by the Treasury).

The investment allowance also continues for expenditure for the purposes of husbandry or forestry:

in adding to any building or structure which is or has been already in use, and in which artificial heating is regularly used for the purposes of husbandry or forestry, any insulation against loss of heat.

A first reading of the above might easily give the impression that any expenditure of the types mentioned would qualify, even if it were on secondhand purchases.

However, reference to chapters I and II of Part X of the Income Tax Act, 1952—which provide for capital allowances in respect of industrial buildings and structures, etc., and of machinery and plant—does not take us any further unless and until we look at Section 16 and the Second Schedule of the Finance Act, 1954, which substitute in the chapters in point an investment allowance in place of an initial allowance. (This illustration shows how necessary it is always to use copies of the Acts which are cross-referenced!) And when we

look at the said Section 16, we find that in the case of machinery and plant, only expenditure on new assets qualifies for the allowance. The route is a circuitous one but it has to be followed to reach the right destination.

Turning to a somewhat simpler instance, we find in Section 14 of the Finance Act, 1958:

In sub-Sections (2) and (3) (old age relief) of Section 211 of the Income Tax Act, 1952, for the references to seven hundred pounds (which refer to the income limit for the full relief under sub-Section (2)) there shall be substituted references to eight hundred pounds.

Reference to Section 211, however, shows that the limit mentioned is £500! It was amended by Section 14 of the Finance Act, 1953, to £600 and by Section 12 of the Finance Act, 1957, to £700.

It seems that anyone who starts to study taxation today without a cross-referenced print must work backwards.

Benefits

A large company had a stand erected at the coronation of the Queen to enable customers and others to view the procession. The Inspector of Taxes (it is reported in *The Director*) assessed directors and senior employees ("£2,000 a year" men) under the provisions of Sections 160-168, Income Tax Act, 1952, on the benefit of attending—they received and looked after the guests—apparently on the basis of £30 a head for themselves and their personal guests, 25 guineas being for a seat and £3 15s. for food and the like. The Special Commissioners accepted the arguments of the company that there was no benefit within Section 161, Income Tax Act, 1952. The company provided the function and the directors and employees were expected to attend. There was no relief from an expense which a director or employee would have considered it necessary to incur from his own pocket. Therefore, there could be no benefit to the director or employee. It is understood that the Revenue is not appealing to the High Court.

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Case VI of Schedule D

Under Case VI is charged income tax in respect of any annual profits or gains not falling under any of the other Cases of Schedule D and not charged by virtue of Schedule A, Schedule B, Schedule C or Schedule E. Many other types of income, such as excess rents, are also chargeable under Case VI. The computation under Case VI (except where there is laid down some other rule) is to be made "either on the full amount of the profits or gains arising in the year of assessment, or according to an average of such a period, not being greater than one year, as the case may require, and as may be directed by the Commissioners" (Section 135 (2), Income Tax Act, 1952). In practice, the Inspector of Taxes enters the amounts of Schedule D assessments and, subject to the right of appeal, they become final when signed by one Additional Commissioner. The notices of assessment are prepared and issued by the Inspector (Section 37).

The reader whose letter was published on page 167 of ACCOUNTANCY for March, 1959, contends that if no application is made to the Commissioners to direct the period, only the first alternative is possible and the assessment must be on the "actual" basis; neither the Inspector nor the taxpayer has any latitude in the matter.

The Board of Inland Revenue does not agree. In its view, the basis of assessment under Case VI is a matter for agreement between the Inspector and the taxpayer concerned; it cannot be said that there is any normal practice. If agreement cannot be reached, it is open to either the Inspector or the taxpayer to seek the direction of the Commissioners.

We agree with the interpretation of the Board. If the Act had given a normal basis with a provisional alternative (as it does in assessing new businesses, for example), then our reader would have been right. It does not do so, however; it provides alternatives—either . . . or . . . —two legs of equal strength. If it is desired to stand on one rather than on the other, the Commissioners are there to decide whether it is a proper thing

to do in the circumstances.

It seems to be the general practice to use the preceding year basis for assessing income that recurs and does not vary materially from year to year, but to use the current year basis if there are substantial variations. This is convenient for both the Revenue and the taxpayer.

For excess rents, the preceding year basis is often applied, though it is contrary to the strict letter of the law. Section 175 of the Income Tax Act, 1952, requires the assessment to be based, in the case of a short lease of a single unit of assessment and where the rent is payable to the immediate lessor, on the excess of what would have been the net assessment under Schedule A, had that been determined by reference to the rent and the terms of the lease, over

the actual net Schedule A assessment. In the case of short leases not within the provisions of Section 175, the basis is the excess of the rent over stated outgoings (Section 176).

The Board of Inland Revenue agrees that all assessments under Sections 175 to 177 should be made on the current year basis. In our view, any departure from the strict basis of assessment for excess rents can cause difficulties which are best avoided—for example, where voids arise, where one or two of a number of let properties are sold, and so on.

Quick Succession Relief

A drafting error occurred in Illustration (4) in the article in our March issue (page 149). The last two amounts should be £3,212 and £1,237 instead of £4,283 and £166.

Recent Tax Cases

By W. B. COWCHER, O.B.E., B.LITT.

Income Tax

Woodlands—Sale of freehold land—Exception from sale of timber thereon—Right to inspect, cut, fell and remove timber—Whether vendor an occupier assessable under Schedule B, Income Tax Act, 1952, Sections 115, 125.

When a large estate on which there is valuable timber is divided and sold in parts to various purchasers it is a frequent feature of such a sale for the vendor to except the timber and also to reserve the rights necessary in connection with it. Nevertheless, unless the case of *C.I.R. v. Lord Trent's Executors* (Court of Session, 1959, T.R. 11) is taken to and reversed in the House of Lords, a strange *casus omissus* in the taxing machinery has apparently been revealed.

The timber in question was on the Glenborrodale Estate, which was formerly owned and occupied by the late Lord Trent. He in 1945 elected to be assessed under Schedule D in respect of

the woodlands on the estate. The appeals in the case were for the years 1951/52 and 1952/53, for which assessments had been made upon his executors in respect of profits from the sale of timber. In 1950, Lord Trent had sold to various purchasers all the parts of the estate containing the woodlands and, in particular, a wood called Pond Wood. The properties were sold freehold but, save as regards one plantation, Lord Trent had reserved from the sale all timber, etc., standing on the properties, and had also reserved until December 31, 1952—a period of some two years—the rights whereby he, his successors, and authorised persons were to be entitled to enter on the properties for the purposes of inspection, cutting, felling, etc., and of removing any of the said timber, etc. In 1951, Lord Trent had sold to a firm of timber merchants certain timber in Pond Wood and elsewhere. A thinning licence had been obtained prior to this sale which Lord Trent had assigned to the purchasers

who had cut and removed the thinnings, paying Lord Trent for them and for the licence. In the same year his Lordship had also sold some blown timber, and in 1952 a small quantity of standing timber.

The charge under Schedule B is in respect of the occupation of lands, etc., and whether assessed under Schedule B, or under Schedule D in consequence of election under Section 125 of the Income Tax Act, 1952, liability to tax is contingent on "occupation." By Section 115 (1) of the same Act:

every person having the use of any lands . . . shall be deemed to be the occupier thereof

and the issue was whether the rights above-mentioned were sufficient to make Lord Trent an occupier within the meaning of the Section. The Special Commissioners had discharged the assessments, holding that there was not "sufficient evidence" of use by Lord Trent to justify inferring that he was an "occupier"; and a unanimous Court upheld their decision.

The Lord President (Lord Clyde) said that the reservation by Lord Trent was not one of land but merely of certain rights for the relatively short period of two years. It was, he said, admitted that this reservation would not make him the occupier for the purposes of the Lands Valuation (Scotland) Acts, since the occupation for those purposes of the woodlands clearly passed to the purchasers of the properties when they got entry under their dispositions. It might have been, said his Lordship, that during the short period of the reservation Lord Trent might have made extensive use of the land in question; but the Special Commissioners, on the facts, did not consider that the timber operations were sufficient to make Lord Trent an "occupier," and on such a matter of fact and degree he found himself unable to disagree with them. Lord Patrick agreed. Lord Trent, he said, was no occupier in the ordinary sense; but Section 115 was intended to confer the benefit of Schedule B upon others who were deemed to be occupiers because of their having the use of lands. An interpretation of the Section which included "any use"—"any" apparently means "every" in the context—would lead to absurd results. The question whether a particular person had sufficient use to entitle him to "claim the benefit of being assessed under Schedule B"—the use of the word "benefit" is curious in the circumstances—was one of fact and degree; and in the particular case the Special Commissioners had not

misdirected themselves. Lord Mackintosh agreed with his brethren.

Income Tax

Garage business—Agreement with petrol marketing company—Provision of financial assistance to extend and improve garage premises in consideration of "tie" for ten years—Whether sum received from petrol marketing company capital or income receipts of garage business.

Following the abolition of wartime restrictions on the importation and consumption of petrol, in the summer of 1950 there began what was termed an "exclusivity war"; and within a few years the tied house system in the petrol distribution trade became general. The Commissioners' Case in *Bolam v. Regent Oil Co. Ltd.* (1956, 35 A.T.C. 49; 37 T.C. 56) gives a very full statement of the facts of this "war" from the standpoint of one of the rival companies. As in other "wars" of this kind, the considerations given to garage proprietors to induce them to tie themselves varied greatly. In *C.I.R. v. Coia (Achilles Motor Co.)* (Court of Session, 1959, T.R. 15), the petrol company concerned was the Esso Petroleum Company—"Esso." The respondent had commenced business in 1946, and when the "pool petrol" period was drawing to a close he had had discussions with Esso regarding the financing of extensions to and improvement of his business premises. As a result, an agreement had been concluded whereby Esso, in consideration of his tying himself for a period of ten years, had agreed to assist him in the purchase of ground at the rear of his garage at a cost of £450, in the building of a lubricating bay and in making extensions to his garage and workshop, to the extent of £11,000. Payments under the agreement were to be made in accordance with certificates of the work done. Respondent had received from Esso £422 in respect of the ground above-mentioned and £462 to reimburse part of the cost of extending his garage and workshop. The issue in the case was whether these sums were trading or capital receipts by the respondent. The General Commissioners had held that they were in the second category; and a unanimous Court upheld their decision.

The Lord President (Lord Clyde) contrasted the facts with those in *Evans v. Wheatley* (1958, 37 A.T.C. 312), where the expenditure was on sales promotion and advertising, matters essentially of a revenue charac-

ter, whereas in the present case the sums paid by Esso were in respect of capital expenditure. He held that on the agreement the respondent got a money payment for a capital expenditure by him, and, as consideration, gave up his freedom of trading, changing the structure of his business and becoming an agent for the sale of Esso fuels. Esso, he said, was willing to pay £11,000 for securing this benefit for ten years, and, in the circumstances of the agreement, this fact would, he said, be enough to lead to the inference that the reimbursements were of a capital nature. Lord Patrick, in the course of his short judgment, held that a sum of money which a trader received to enable him to obtain valuable assets of a capital nature which he could obtain only if he did add to his capital assets, and in return parted with a valuable asset of a capital nature, could not properly be described as a trading profit. Lord Mackintosh agreed with his brethren, and in conclusion referred to the well-known dictum of Lord Macmillan in the *Van den Bergh* case (1935, A.C. 431; 14 A.T.C. 62; 14 T.C. 390).

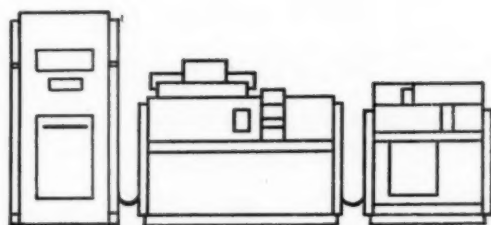
The present writer finds it difficult to reconcile in principle the decision in the present case with that in *Evans v. Wheatley*. If the sacrifice of commercial freedom by the respondent for a period of ten years, whereby he became, in Lord Clyde's words, an agent for the sale of Esso fuels, is to be deemed to be of a capital nature, then, it is respectfully suggested, the consideration for the sacrifice, save in one eventuality, will be equally of a capital nature irrespective of how the consideration has to be applied. The exception will be where the consideration takes the form of annual payments within the charge to Case III of Schedule D.

Income Tax

Residence of companies—Subvention payments—Whether subsidiary companies resident in United Kingdom—Central control and management exercised de facto but not de jure by parent company in the United Kingdom—Finance Act, 1950, Section 20.

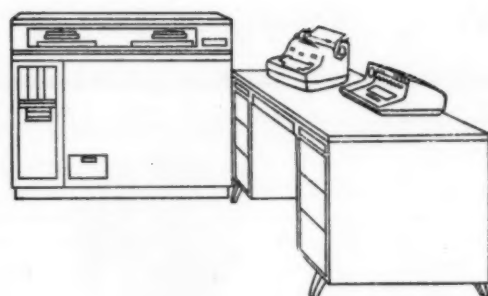
There are some cases where the legal question to be decided is as important as it is simple, and *Bullock v. Unit Construction Co. Ltd.* (C.A. 1959, T.R. 37), which was the subject of an extended note in our issue of January last (page 28), falls within this category. Whilst it has been held that in very special circumstances a company can have more

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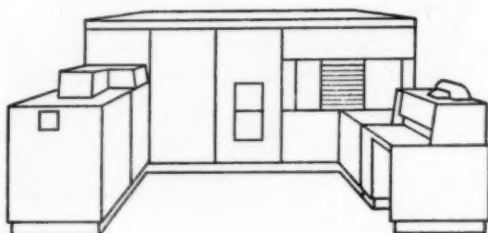
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than one residence, it is settled law that it is resident where "the central management and control abides." The sole question in the case was whether three subsidiaries of Alfred Booth and Co. Ltd., incorporated in East Africa with articles specially framed to preclude any claim by the Revenue that they were controlled by the principal company in the United Kingdom, were, nevertheless, factually so controlled and, therefore, resident in the United Kingdom for the purposes of Section 20 of the Finance Act, 1953. The Special Commissioners had upheld the contention of the respondent company, holding that despite the constitution of each subsidiary company the controlling power and authority was actually exercised to a very substantial degree by the principal company in London and that it was unnecessary to go further and enquire whether such power and authority was exercised within the constitution of the company concerned. Wynn-Parry, J., had reversed their decision, holding in effect that for control to constitute residence it must be not only *de facto* but *de jure*; and a unanimous Court of Appeal affirmed his decision, Romer, L.J., giving the judgment of the Court.

He said that Wynn-Parry, J., had come to a different conclusion from that of the Special Commissioners, "and he expressed it in a judgment with which we so wholly agree that we would be content to adopt it as our own both in its reasoning and in its language."

Nevertheless, out of deference to the arguments of counsel, their Lordships would state shortly, he said, the reasons why the appeal must fail. In these circumstances it is unnecessary to re-state the substance of the previous note. In his judgment, however, Romer, L.J., referring to the judgments in previous cases relied upon by counsel for the respondent company, pointed out that in none of those cases was there reason to suppose that the judges had in mind a case where *de jure* management was vested in one company whilst *de facto* control was vested in another. Following this observation, he declared:

Judicial language is only authoritative in so far as it is directed to the particular subject matter which is present to the speaker's mind; and, whatever its apparent width, it has no force, even persuasive, outside the limits of its intended application.

He concluded that the passages from the various judgments and speeches relied on by counsel did not in the opinion of the Court advance the appellant's case. Leave was given to

appeal to the House of Lords. In his judgment, Wynn-Parry, J., had pointed out the serious consequences were the contention for the respondent upheld, the present certainty on the matter disappearing. From the theoretical standpoint it would seem a case of the swings and the roundabouts. In practice, however, it would be far otherwise, with the dice heavily loaded against the Revenue.

Estate Duty

Agricultural land—Settled land—Purchase of one of settled estates by tenant for life—Contract entered into but death of tenant for life before conveyance—Whether agricultural rate of duty applicable to the estate purchased and deduction allowed of balance of contract price—Finance Act, 1894, Section 7—Finance Act, 1949, Section 28 (1).

In *Philipson-Stow's Special Representative v. C.I.R.* (Ch. 1959, T.R. 23) there were two questions raised; but Upjohn, J., reserving his judgment upon the first question—the nature of which is not revealed—dealt only with the second, one in which the Court was asked to reject the basis of applied practice. Sir Elliott Philipson-Stow died on September 23, 1954. He had been tenant-for-life of certain settled estates which remained settled land after his death. Shortly before his death, deceased had agreed to purchase one of the settled estates for the sum of £42,500: Barton Bendish Estate, a wholly agricultural property. The contract was made in August, 1954, and a deposit had been paid of £4,250. Completion was to be on or before October 11, 1954, when the balance of £38,250 was to be paid, following which deceased would have become entitled to a conveyance and possession. After his death before completion, the estate had been sold by the special representatives for £500 less than the purchase price, but the special representatives as trustees for the purposes of the Settled Land Act, 1925, had placed themselves in funds for completion on October 11.

The plaintiffs' contention was that on the execution of the contract the doctrine of conversion applied, the deceased becoming entitled to the property in equity subject to payment of the purchase price. On this view, they would be entitled to claim agricultural relief in respect of the whole Barton Bendish estate and to deduct the balance of the purchase price, £38,250, as a debt against the settled estates and capital

moneys generally. Upjohn, J., rejected this contention. He said that what had to be valued and what passed at the death was the equitable interest of the deceased in the property. This, he said, had to be valued under Section 7 (5) of the 1894 Act at the open market price at the date of death. It seemed to be clear that, assuming that the purchase price was the proper value of the whole property, the equitable interest would fetch only the amount of the deposit that had been paid. No purchaser would pay more because all that he could buy from the deceased was the right to enforce the contract on the completion date. He held it was quite wrong to regard the deceased as being entitled to the whole beneficial interest in the property as at the date of death. He was not entitled to possession or to the legal interest in it. All that he could confer on a purchaser was the benefit of the contract. The Revenue, he added, was prepared to concede that the value of the property when sold by the special representatives should be taken at £3,750—that is, to allow deduction of the £500 loss on sale. This amount would be entitled to agricultural property relief.

Of the reasoning of such a learned and able judge as Upjohn, J., criticism is perilous. Nevertheless, seeing that the purchaser, as a result of and from the date of the contract, would apparently become entitled to all benefits, and subject to all detriments in respect of the property, the present writer has difficulty in seeing that, applying the doctrine of conversion, what was "converted" into agricultural property was only the deposit of £4,250 and not the whole contract price of £42,500.

Stamp Duty

Bond covenant or instrument—Contract for provision of television programmes—Stated amount for stated period—Larger amounts thereafter—Provisions for increases or decreases by reference to variations in retail price index—Whether agreement a "security" within the meaning of the term as used in the Stamp Act, 1891, First Schedule—Whether agreement for definite and certain period so that total amount ultimately payable can be ascertained—Stamp Act, 1891, Sections 1, 4, Schedule 1.

The case of *Independent Television Authority and Associated-Rediffusion Ltd. v. C.I.R.* (C.A. 1959, T.R. 27) was not only important in itself but additionally so as being regarded as governing a number of other similar agree-

ments. It was noted in our issue of January last, page 31. Wynne-Parry, J., had held himself bound by authority to answer both the questions set out in the above headnote in favour of the Revenue, and a unanimous Court of Appeal found itself similarly bound. All four Judges indicated that unless so

bound they might have held otherwise. Leave to appeal to the House of Lords was granted; and it is obviously intended to test the issues there. Jenkins, L.J., giving the judgment of the Court of Appeal, said in conclusion:

We find it unnecessary to say anything as to the views we might ourselves have

been disposed to take on Mr. Cross's two points if the matter had been *res integra*. In the present state of the authorities we do not see how we can properly do otherwise than dismiss this appeal.

In the circumstances, further comment here would seem to be unnecessary.

Tax Cases—Advance Notes

CHANCERY DIVISION (Roxburgh, J.). *Farthing v. C.I.R.* March 20, 1959.

The appellant appealed to General Commissioners against assessments under Case I of Schedule D for various years. The General Commissioners confirmed the assessments, and the appellant demanded a case but later abandoned it.

Later, the appellant disputed the correctness of these assessments in connection with an appeal before Special Commissioners against surtax assessments for those years, and wished to call evidence that the income tax appeals had been wrongly determined.

The learned Judge held that the Special Commissioners had rightly concluded that they were bound by the previous determination by (now) Sections 229 (4) and 524 (4) of the Income Tax Act, 1952. His Lordship further decided that the appellant could not argue before him that the income tax assessments had not become final and conclusive, because he had not taken the point before the Special Commissioners.

CHANCERY DIVISION (Upjohn, J.). *Henry Briggs, Son & Co. Ltd. (in voluntary liquidation) v. C.I.R.* April 28, 1959.

His Lordship, in a reserved judgment, affirmed the decision of the Special Commissioners in favour of the Crown.

B. Ltd., on July 1, 1939, acquired the collieries of the appellant company. After that date B. Ltd. was a wholly-owned subsidiary of the appellant company, which owned land and leasehold houses and owned and operated a brick-works, a lime quarry and (until 1940) a gas works. The Board of B. Ltd.

received instructions from that of the appellant company in matters of major policy.

On January 1, 1947, the collieries of B. Ltd. were nationalised. After this, B. Ltd. started no other business. Interim payments as a consequence of the coal industry nationalisation were paid to B. Ltd., from which B. Ltd. paid dividends to the appellant company.

The Special Commissioners held: (1) that the dividends received from B. Ltd. were profits of the trade or business which the appellant company was deemed to have carried on; (2) that after December 31, 1946, the function of B. Ltd. did not consist wholly, or mainly in holding property—namely, the right to compensation—and accordingly the dividends were not franked investment income of the appellant company.

Hood Barrs v. C.I.R. May 1, 1959.

On July 25, 1938, the appellant transferred three parcels of 60,000 shares in S. Ltd. to each of his daughters, Stella, Christine and Heather. The purchase price for Stella's shares was provided by the appellant's wife and the purchase price of Christine's and Heather's shares was originally stated to have been provided by the daughters' aunt. Later it was admitted that the shares were transferred without consideration (see *Hood Barrs v. C.I.R.*, 27 T.C. 385). In 1941 a further 60,000 shares in S. Ltd. were transferred to Stella, the consideration being provided by the appellant.

For fifteen years Stella returned the dividends on the shares as part of her income and was assessed to surtax on them. Most of the dividends had been paid to the appellant or to a firm in

which he and his wife were partners. In 1954 a claim was made on behalf of Stella that throughout these years Stella had held two-thirds of her shares on trust for the other two daughters. Transfers of 40,000 shares by Stella to each of the other daughters, executed in September, 1953, bore only nominal stamp duty on the footing that only the legal interest had passed. As evidence of the purported trusts "blank transfers" signed by Stella were produced. These were said by the appellant to have been completed in 1938 and 1941. They contained typewriting, and after hearing expert evidence the Special Commissioners concluded that the typewriting (relied on as evidence of the trust) could not have been added earlier than 1948, and rejected them as evidence of the alleged trusts.

In the case of Christine, the bulk of the dividends from her shares had been paid into enterprises run by the appellant and his wife. On her wedding day in 1947, Christine transferred her shares to the appellant's wife, the consideration being stated to be a loan by the appellant's wife to Christine, on which no interest was payable.

The Special Commissioners assessed the appellant to surtax on the dividends from Stella's and Christine's shares during the material years. At the appeal hearing neither the appellant nor his wife nor his daughters gave evidence.

The Special Commissioners confirmed the assessment, holding that the income remained that of the appellant. Upjohn, J., upheld their decision.

COURT OF APPEAL (Lord Evershed, M.R., Ormerod and Willmer, L.J.J.). *Bradbury (H.M.I.T.) v. The United Glass Bottle Manufacturers Ltd.* April 14, 1959.

Their Lordships unanimously dismissed the appeal by the company from the decision of Harman, J. (See ACCOUNTANCY for February, 1959, (page 91). Leave to appeal to the House of Lords was not granted.

The Month in the City

Equities Take Charge

April opened with the volume of stock market business still high and industrial Ordinary shares somewhat irregular but tending to improve on the continued expansion of production in the U.S. The appearance of the *Economic Survey*, which was optimistic on any reading, caused a fresh burst of buying and this, coupled with Budget hopes, caused the index for Ordinary shares to rise six points by the afternoon of Budget day. The Budget itself caused a further rise in almost all sections, and particularly in high coupon fixed interest stocks, while equities registered a new high of 226.1. For the time being, however, this was the best to be touched except in miscellaneous fixed interest stocks which improved further for two days. By the end of Budget week, however, selling had taken charge. Except, possibly, in the Funds and other fixed interest stocks, this represented no more than profit taking by those who had speculated on an expansionist budget and by the middle of the month there were buyers in all markets, except for shares of gold mines, cotton textiles and shipping companies, with some weakness in oil shares. At the end of the third week of the month a good deal of the loss in fixed interest stocks had been made good, but then a fresh relapse set in and by the close little of the benefit arising from the cut in income tax in the Budget remained. This weakness was associated with the failure of the L.C.C. issue, dealt with below, and with a new burst of buying of equities, the index for which achieved new high level on each of the last five business days of the month. As a result of this the margin of yield between this group of industrial Ordinary shares and Old Consols had dropped from 0.47 to 0.32. Actually the Funds are up on the month despite further heavy selling by the banks. The net changes between March 31 and April 30 in the indices of the *Financial Times* are: rises in Government securities from 85.84 to 86.10; in fixed interest from 93.56 to 93.79; and in industrial Ordinary shares from 219.4 to 228.0 and a fall on gold shares from 88.1 to 86.7.

L.C.C. Try 5 per cent.

The terms of the projected issue of £25 million stock by the London County Council, foreshadowed in March, were

announced on April 14 as a 5 per cent. stock maturing 1980-83 and offered at 95½. This gives a yield of £5 4s. 9d. flat with a profit on redemption of almost 2s. per cent. The cost to the council was stated to be 5½ per cent., which it thought very high. The coupon rate on the previous L.C.C. loan of a year ago had been 6 per cent., and it was heavily oversubscribed, while the last trustee corporation issue, that of Fife, had been a 5½ per cent. at 99½ made in January. When the terms were announced gilt-edged stocks had fallen, and the terms were felt to be too close to attract so large a sum. Prices fell further in the two days before the issue and in the event 94 per cent. of the stock was left with the underwriters and dealings opened at more than one point discount. This result can have caused no surprise in City circles, where it is expected that it will be some time before the stock finds a permanent home and, consequently, before further issues of this standard can be made. What has caused a good deal of interest is the question why the underwriters accepted such unfavourable terms. The answer appears to be that the alternative would have been to delay the issue for some time unless a coupon rate of 5¼ per cent. was to be adopted, which was felt to be unsatisfactory as ¼ rates are still considered unpopular. It is also suggested that, having driven a rather hard bargain with the L.C.C. a year ago and done very well on it, underwriters felt that a more accommodating attitude this time would be proper. The outcome appears to be that an attempt to secure an improvement in the price of high grade trustee securities has met with very indifferent success, although the general tone in the gilt-edged market has since improved.

New Issue Revival

Although the L.C.C. failure disposed of the question of further trustee issues for the moment, a number of others have been made or are in preparation. Under C.I.C. restriction shops and stores fared badly and there is a considerable list of applicants already, including Debenhams, United Drapery, Bentalls, S. Bellman & Sons, H. Samuel, jewellers, and others, with Harrods considering raising money also. Following on the Lintang and Great Portland furore, the

Stock Exchange turned down six applications for the placing of property company shares and one of these is now making an offer for sale. One must also mention that Lombard Banking are to raise £3 million, while there have been further developments in the unit trust field, including Crosley and a venture by Kleinworts into the overseas field with a trust, designed to suit American investors, with half its capital in U.K. and Commonwealth securities. There is no sign that the queue is diminishing in length and so long as security prices continue to advance, there are likely to be issues. How far these represent anything other than arrears is a matter of uncertainty.

Four Striking Bids

The business of reducing the number of companies in the lists proceeds apace. Last month brought four offers of outstanding importance. These were, in chronological order, an offer by the American parent company of 83s. 9d. per share for the whole of the Ordinary capital of British Timken which is still held by the public. It is also proposed to pay off the Preference capital at a premium of 12¼ per cent. The total operation would involve a total payment of rather over £10 million. The second is a bid by the News of the World for the share capital of Newnes at a price of 110s. per share. This looked attractive, but the shares almost immediately rose above the bid price and later the Board of Newnes, which had rejected the offer, announced an increase in dividend from 20 to 35s. per cent., which seems to put the bid out of court. The third offer was by the Commercial Union Assurance Co. to take over North British by an exchange of shares to a value at that time of some £36 million. The key to the offer and its acceptance, which seems certain, lies in the heavy U.S. commitments of the latter company. If the scheme goes through the group will have total assets in excess of £300 million and a premium income, excluding life business of some £100 million of which 45 per cent. comes from the U.S. The fourth, which dwarfs the others, is a bid by Royal Dutch Shell for the assets of Canadian Eagle (dealt with in a Professional Note in this issue). This deal alone exceeds the total cost to America of the purchases in the British Timken and British Aluminium deals, and provides an adequate answer to those M.P.s who have protested about the sale of the former company.

Points From Published Accounts

Properties—for Investment or Dealing

The outward appearance of the 1958 accounts of *Beaumont Property Trust* is unchanged, but the presentation of the profit and loss account has been altered. It is now in the modern tabular style. As the chairman points out in his statement: "this new form of accounts makes the revenue position of the group very clear." Little further comment is called for, but the presentation might have been still further improved if the important items, such as "Profit for the year after taxation," were emphasised in some fashion (as by bold type or colour).

An interesting point emerges in the consolidated balance sheet, where the fixed assets total is broken down to show the value of properties attributable to investment companies in the group, and that attributable to the dealing companies. Since the properties are held for very different purposes by the two sides of the business it is most useful to have this distinction, which is also made in the profit and loss account, where profits on the sale of properties are shown separately as part of the overall income of the group.

To Simplify the Reserves—

The accounts of *Westinghouse Brake and Signal* are handsomely produced on full art paper, with comparative figures picked out in red, and a pictorial appendix showing some of the varied activities of the group. Commendably, all the individual reserve items in the balance sheet have been done away with and a single figure—"Balance of undistributed profit of the period, added to the revenue reserve, £108,026"—is transferred from the profit and loss account. The single revenue reserve is now termed in the balance sheet "Undistributed profits." The reserve position has been further streamlined by the transfer back to revenue reserve of £1 million in respect of "Replacement of plant and equipment," formerly standing as a capital reserve. The move is logical, in as much as this reserve originated from the revenue reserve.

—Or Not to Simplify?

A simpler, and more informative, balance sheet has been drawn up by *Consett Iron* this year. The traditional

style—assets on the right, liabilities on the left—has been dropped in favour of a tabular presentation showing "Capital employed," and "Employment of capital." The change is in line with modern trends, and it makes for an improved presentation. Those not familiar with accounts can see at a glance from where the company gets its funds, and how they are employed. The notes section provides amplified information on the facing page, with easily followed references put in the balance sheet against the various items. The layout of the profit and loss account is, however, cramped, principally because it has been felt necessary to show the "Accumulated surplus" position in the balance sheet. The presentation would benefit from the simplification of substituting a single "undistributed profits" item—of including in the "Surplus carried forward" the £854,650 that is at present syphoned-off in transfers to fixed assets replacement reserve, general reserve, and investment allowances reserve.

Tax an Appropriation

Although the 1958 accounts of *Broom & Wade* are not quite so lavishly illustrated as the previous set, they remain attractively laid out and eminently readable—mainly by virtue of the generous amount of space afforded to the setting of the figures and the use of a fairly large type face is used. There is considerable virtue in the simplicity with which the accounts have been set out. The company, unlike most others, puts the tax item in the appropriation account after the dividend appropriations. Certainly tax is in the strictest principle an appropriation, but the practice of not treating it as such in published accounts has the virtue of admitting that in practice it is an inescapable payment whose amount is not at the discretion of the directors.

Split Between the Home and Oversea Profits—

J. Brockhouse is a business with extensive overseas interests. It has for some time followed the practice of showing separately the home and the overseas trading profits. It is a small point, but the practice could usefully be adopted by many other concerns similarly placed. The information is helpful, to share-

holders in particular. At the same time, it is the return on assets employed which is the most significant accounting ratio. There may well be technical difficulties in the way of showing the proportion of the total assets that is situated overseas, but if the information could be made available it would undoubtedly much enhance the value of splitting the trading surplus.

—And Even Between the Accounts

This very question cropped up in the *Hawker Siddeley* group when it recently acquired further industrial interests in Canada that put the group assets in the dominion on a par with those in the United Kingdom. Obviously it would have been most unsatisfactory not to have made some distinction between assets and earning capacity in the United Kingdom and assets and earning capacity in Canada, as well as showing the combined position, and it is a point to which the directors and their financial advisers have clearly given a great deal of thought. The outcome is seen in the accounts for the year ended July 31 last, which are in a completely revised form, designed to "assist shareholders to appreciate the existing structure of the group."

The detailed layout is as follows: pages 1-9, statutory notice, directorate details, directors' report, chairman's review, auditors' report. A summarised balance sheet and profit and loss account of the group as a whole is on pages 10 and 11. The consolidated accounts of the United Kingdom group follow on pages 12-15, and the consolidated accounts of the Canadian group on pages 16-19. Previously, there were no separate detailed accounts for the two ends of the business, though the main items in the profit and loss account and balance sheet were split to show the proportion in the United Kingdom and that in Canada, in the summary of results heading the accounts proper. The new method of presentation obviously takes things much further—indeed, it is leaving nothing more to be desired in terms of presenting a full financial picture of the group. The figures themselves are amply supported by further details in the various notes sections, in the directors' report, and in the chairman's review. Additionally, the chairman provides further amplification in a very full speech at the annual meeting each year. The *Hawker Siddeley* group has always been very conscious of the worth of good public relations, and its accounting presentations set a high standard.

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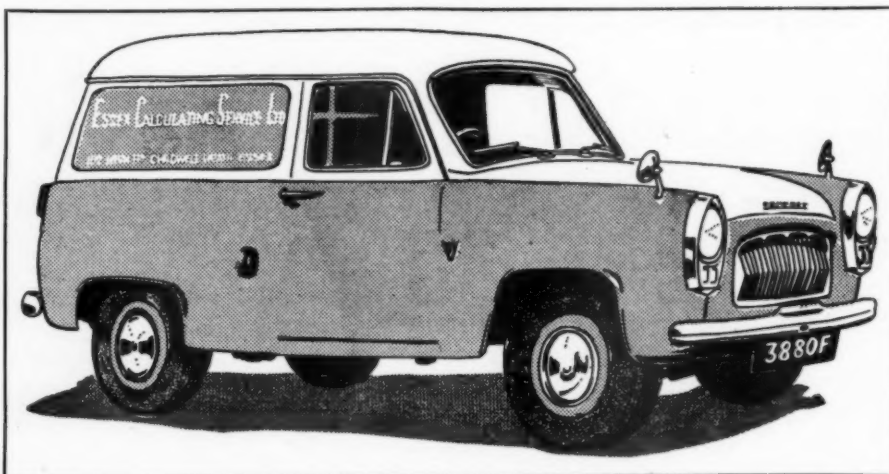
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Readers' Points and Queries

Deduction of Tax from Dividends

Reader's Query.—I have some sympathy with the view expressed by your reader on page 37 of the January, 1959, issue of ACCOUNTANCY.

By virtue of Section 186 of the Income Tax Act, 1952, is not the same effect achieved by paying a dividend of £57,500 without the deduction of tax?

Reply.—Section 186 applies only so far as the dividend is one from which deduction of tax is authorised by Section 184 (1), so that the gross sum could not exceed the figure of £57,500.

Double Taxation Relief

Reader's Query.—My query relates to the Income Tax Act, 1952, Sections 132/4 and Sixteenth Schedule. Assume that a British resident is in receipt of a pension from abroad and double taxation relief is operative. The foreign tax is less than the effective U.K. rate.

Year 1—his pension is £1,000 from which foreign tax of £100 is deducted.

Year 2—his pension is £1,100 from which foreign tax of £110 is deducted.

Year 3—his pension is £1,100 from which foreign tax of £120 is deducted.

At 8s. 6d. in the £ the U.K. tax, ignoring allowances, is £425 minus foreign tax £100, net £325 for year 1. For year 2 the U.K. tax is £467 10s. minus foreign tax £110, net £357 10s. For year 3 the tax is—what? The previous year basis operates and there appear to be three alternatives, namely:

- (a) £1,100 less £110 = £990 at 8s. 6d. = £420 15s. (remittance basis)
- (b) £1,100 at 8s. 6d. = £467 10s. less £110. Net £357 10s.
- (c) £1,100 at 8s. 6d. = £467 10s. less £120. Net £347 10s.

Which of the three alternatives is correct? Alternative (a) deprives the taxpayer of double taxation relief for one year. If this is correct what, precisely, are the statutory words which enact this deprivation?

Reply.—The difficulty arises from the fact that relief for a credit for foreign tax in respect of any income is to be given in the year of assessment for which that income falls to be charged to income tax in the U.K. In the example in question one year's overseas income is charged to U.K. tax twice. We sympathise with the reader's arguments and should like to see them tested. But the tax involved is never enough! The official view is that no

question of D.T.R. can arise in both of two years which are based on the same foreign income. Credit is given for the overseas tax once only; in the other year(s) corresponding to that of the overseas tax, the latter is allowed as an expense. The taxpayer can choose to have the credit allowed against the tax of whichever year suits him best.

For year 3, therefore, assuming credit was given in year 2, it seems that the assessment would allow the deduction of £110 overseas tax. But if year 3 is the second complete tax year, the taxpayer may elect that the assessment be based on the actual income for that year. This might result in a small saving of tax.

As the reader indicates, the position often arises and nobody has yet challenged the official view in the Courts. We are afraid that it would be a waste of money to do so.

Car Allowances

Reader's Query.—We act for several Fleet Street journalists, some of whom are in receipt of mileage allowances in respect of cars used for business purposes.

In two districts the following type of claim has been agreed under Rule 7 of Schedule E:

	£
Capital allowances ..	100
Running expenses	200
Total outlay	300
50 per cent. applicable to business	150
Recovered in allowances from firm	70
Difference, being agreed relief ..	80

In a third district the claim has been refused on the following grounds: "The instructions regarding car running expenses are that initial and annual allowances should not be granted to an employee who receives a mileage allowance which is intended to cover, taking one year with another, running expenses incurred wholly, exclusively and necessarily in the performance of his duties and wear and tear attributable to the use of his car for the purposes of the employment."

In our reply we have agreed that the mileage allowances are intended to cover running expenses taking one year with another, but asked the inspector to quote

the rule or provision which precludes the matter being dealt with year by year in the manner suggested by us, instead of one year with another, as current Revenue practice appears to find no fault with claims lodged by us on similar lines.

Reply.—Without knowing the exact contract between the journalist and his employer, it is not possible to give exact advice. If, however, it is the usual type of arrangement whereby the journalist's job includes a great deal of travelling and the employer makes a contribution towards the cost of running the car, then the claim should be fought to appeal. But it is thought that if the contract is of this type and the facts are put in front of the Inspector, the appropriate relief will be given.

Herd Basis—Transfer to Company

Reader's Query.—A company was formed to take over the business of a farmer, the farmer and his wife being the signatories to the Memorandum of Association and agreeing to take up one share each. Shares were eventually issued to the farmer, his wife and others, the farmer therefore never controlling the company.

The farmer's livestock was sold to the company at book value and the company proceeded to make an election for the herd basis under paragraph 2 of the Twentieth Schedule to the Income Tax Act, 1952. At no previous time in the history of the case was such an election ever considered or thought of as an advantage, the formation of the company being the sole motive force.

I consider, however, that Schedule 20, paragraph 5 (1), applies: possibly sub-paragraph (1) (a) because there is control—the company controlling the farmer, who is a director—but certainly sub-paragraph (1) (b) because a benefit from an election for the herd basis might have been expected to accrue, even though in fact it never was considered or contemplated.

Reply.—There is never any question of a company controlling an individual. Paragraph 5 (1) (a) applies only to bodies of persons, including partnerships. The case would appear, however, to come under paragraph 5 (1) (b).

Profit from Sale of House

The reader whose query was published in ACCOUNTANCY for November, 1958 (page 609) has written to say that the contention put forward in the reply has been accepted by the Revenue without the necessity of attendance before the Special Commissioners.

Publications

Auditing. A C.P.A. Review Manual. By Benjamin Newman, C.P.A. Pp. 685. (In United Kingdom, Chapman & Hall: 102s. net.)

WITH ITS AMPLE coverage of subjects required by the candidate for the C.P.A. Auditing examination, this book contains much of value for the practitioner and the industrial accountant in this country. But from the student already faced with the plenitude of reading required for his own syllabus it is doubtful whether it will receive the attention it deserves. The author, who is an Associate Professor of Accounting at New York University and Director of Technical Services and Research for The New York State Society of Certified Public Accountants, has by reason of his wealth of experience and obvious command of the written and spoken word dealt with his subject in such a way that not only is it instructive but intensely readable.

Although primarily intended for the student, the manual should prove most useful as a check list for the external auditor when compiling or reviewing his audit procedures and should certainly not be overlooked by those engaged on internal control and check. The author in his chapter dealing with the fundamental concepts and principles of auditing clearly brings to the fore the view that the auditor's examination leading to an opinion cannot be expected to uncover relatively minor fraud or irregularities—a view which is being increasingly emphasised in this country—and that management has the responsibility for designing proper controls to detect or prevent such fraud.

The added attention now being given to the question of the auditor's responsibility when considering stock valuations presented to him by the management, makes particularly interesting the chapter dealing with the observation of physical inventory count and the American attitude to this problem, reflected in the extract given from the applicable "standard of field work," which states "sufficient competent evidential matter is to be obtained through inspection, observation, inquiries and confirmations to afford a reasonable basis for an opinion regarding the financial statement under examination." Whilst present opinion seems to be

generally in accord with this view it does not always accept what seems to be an undue emphasis on that other facet of the American auditing procedures, the confirmation of accounts receivable by the mailing of confirmation forms, a subject which is dealt with very comprehensively by the author.

An omission which may seem unusual in a work coming from a country which is by many considered to be in the forefront of machine accounting is of any reference to the auditor and the problems with which he is faced consequent upon the rapidly changing methods of data processing, whether by electronic or mechanical apparatus, but this omission is no doubt due to the limitations of the C.P.A. examination syllabus rather than to the author's neglect.

The question of statistical sampling for the purposes of auditing procedures is dealt with rather summarily, but for any student with inclinations towards these exercises the frequency chart relating to auditing examination questions, which is printed as an appendix, should have its attractions and, it is hoped, its rewards.

The absence of any reference to decided cases will seem strange to readers in this country, but those who have been fascinated by the arts of teeming and lading will be equally intrigued with their American cousins, lapping and kiting.

Admirably produced and its value enhanced by the wealth of lucid solutions to examination questions, the book should find a place on every reference library shelf, where it should not long remain undisturbed.

R.D.R.B.

Young's Taxation Appeals. 2nd Edition. (Oyez Practice Notes No. 17.) By H. G. S. Plunkett. Pp. 106. (Solicitors' Law Stationery Society: 15s. net.)

THIS IS AN admirable little book—little only in physical dimensions, for it contains a wealth of information not readily obtainable elsewhere. As well as giving the text of the relevant statutes, Statutory Instruments and Rules, it includes a description of the jurisdiction and procedure in income tax, surtax, the temporary taxes and estate duty (land values) before the General Commissioners, the Special Commissioners, the Board of Referees and the Lands Tribunal. Procedure in the High Court is not described, since at that stage the conduct of an appeal will be in the hands of counsel.

There is much in this book that will be of value to the practising accountant

anxious to do his best for his client's case and not quite sure how to go about it.

The general title "Practice Notes" is apt; there is no discussion, merely a concentration of information in a form that is nevertheless readable. The absence of an index is, on this occasion, no handicap; for the work is lucidly arranged and has a detailed table of contents, so that it may readily be used as a work of reference.

B.R.P.

Financial Problems of the Family Company. By A. R. English, A.C.A. Pp. x + 164. (Sweet and Maxwell: 21s. net.)

ONE EXPECTED FROM Mr. English's experience and reputation that his book would be a good one. But expectations are considerably exceeded. The book is really remarkable—an amazing variety of topics are covered, including some very technical matters, in a simple way. The work is most helpful to a lay-director reader.

Mr. English has spent the last ten years of his life in the centre of the financial world. In this book is abundant evidence of the vast fund of practical experience he has accumulated during that time. In a penetrating approach to his subject he wastes scarcely a word and packs every page with useful points.

There is strong emphasis on management on pages 92/3 but perhaps there might be still more on the importance an investor places on management succession (the author has promised to add the term to the index).

That Mr. English has bankers as godfathers shines through unmistakably—see his charming reference on page 58 to the "embrace" of the debenture. Also the (quite erroneous!!) veiled suggestion on page 29 that virtually all company overdrafts are secured.

Many family Boards are apprehensive about "interference" in the management by a professional investor. The concise and apt comment on page 44 to the effect that any large scale intervention by the professional investor in the management of the companies concerned would be a physical impossibility should help to allay this fear.

This book is certain to reappear in the quite near future in a second edition and the following points might perhaps be considered in any revision at that time:

- (a) Surtax clearance to be considered.
- (b) The incredibly difficult legislation of Sections 46 and 55 of the Finance Act, 1940, has been admirably covered in the first



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edition—but some amplification is desirable on governing directors, on *Oldham* cases for Section 46, and on Section 55 valuations.

- (c) The references on page 115 to balancing stocks of manufactured components and the like might perhaps provoke the "amused tolerance" to which Mr. English refers on page 118. What are the management doing anyway?

Mr. English is essentially a realist—he emphasises, throughout, that the investor seeks to make as big a profit as possible, and "... the family company requiring funds should be regarded as a seller offering a line of goods or a parcel of investments to a prospective buyer."

Every practising accountant should try to get his clients with family businesses to read this book. It will help to lighten his task immensely when he has to discuss with the family the financial problems of their company. R.C.

Management Accounting in Practice. By F. Clive de Paula, F.C.A., F.C.W.A. Pp. 158. (Pitman: 18s. net.)

TO WRITE ABOUT the theory of management accounting is difficult enough; to write about management accounting in practice (especially under the sub-title "An examination of some of the problems that arise") borders on the impossible. One reason is that management accounting problems in everyday life are a function of the extent to which managers fail to appreciate the power and quality of the tool recently put within their grasp. Seven years ago the author's illustrious father, at the concluding session of the Sixth International Congress on Accounting, said: "What we want urgently is the spirit of spreading the gospel of this accounting work in industry. Many managements do not understand the system, a system which cannot succeed unless managements play their part and use it." Managers are usually so preoccupied with their day-to-day difficulties that textbook generalities fail to strike their tuning forks hard enough to evoke a sympathetic response.

Because Mr. de Paula is very conscious of the inertia of managers and the need of evangelism among them, his book is a valuable contribution to management as well as to accounting thought—notwithstanding that over a quarter of it is devoted to fuel and steam costs and mechanised accounting and electronic computers.

To some degree, *Management Accounting in Practice* is an anthology. Mr.

F. R. M. de Paula's paper at the 1952 Congress forms the first chapter. The author has "drawn freely on papers ... which have been published in various professional and technical papers." The most stimulating are those dealing with common problems such as budgeting outputs for standard costs, how and when costs should be presented, and conserving resources of working capital. Mr. Clive de Paula is on firm ground in saying (when dealing with the treatment of variances in end-year stock-in-trade) that, "although the Companies Act, 1948, does not require the specific disclosures of the amount of any provision applied to reduce stock below cost to market value, some think that the profit and loss account would be made clearer if this provision were kept separate" so as to prevent the distortion of the trend of trading profits. It is a pity that he did not go one stage further by recommending that market value should be shown simply by way of note in the balance sheet so that cost is retained in both that document and in the profit and loss account.

The author's observations on the financial implications of plant installation warrant study by all entrusted with making project decisions. It is certainly not sufficiently recognised that "under-utilisation of plant is probably the biggest single factor contributing to high costs in Britain." This sentence typifies Mr. de Paula's realistic and readable approach. W.S.H.

Tax Planning with Precedents. By D. C. Potter and H. H. Monroe. 3rd edition. Pp. xxxii + 439. (Sweet & Maxwell Ltd.: 50s. net.)

BARELY TWO YEARS have elapsed since the introduction of the second edition to this work, but in the meantime the Finance Acts of 1957 and 1958 have fundamentally altered the law relating to estate duty on gifts *inter vivos* and to the taxation of income from settlements. The authors are to be congratulated for the manner in which they have brought the text up to date in the face of what have become annual adversities. The high standard set by the previous editions has been maintained, and the reader is once again presented with a fascinating but instructive treatise on the taxation implications of settlements, deeds of partnership, pension schemes and wills.

The book is intended primarily for legal draftsmen, providing them with some fifty precedents (as against forty-seven in the previous edition) for use

where the taxpayer is minded to arrange his affairs so that the Inland Revenue deplete his resources to the smallest possible extent. But the book is also of great value to accountants and others who are concerned with taxation matters, for it explains and illustrates the possibilities open to the tax planner, and the interposition of the precedents in no way detracts from the readability of the book.

On page 5 it is suggested that no assessment arises under Section 170 of the Income Tax Act, 1952, where the covenantor has paid or is liable to pay tax at the standard rate on a part of his income equal to the amount which he pays away under a covenant. This construction is an over-simplification, for it ignores the position where the income covering the payment is a dividend subject to a net United Kingdom rate.

In the chapter on partnerships it is surprising to find that no mention is made of the use of service companies. On the other hand, the short summary of the main tax considerations to be taken into account when providing a pension for an employee is a welcome additional feature to the chapter on pension schemes.

The authors deplore the obscure and unintelligible language used in recent Finance Acts and warn their readers that if this tendency continues future editions of the book will be impossible to write. But the reviewer trusts that they will continue to find in the future the necessary energy and encouragement to ensure that practitioners always have an up-to-date edition of the book readily available on their bookshelves. E.C.M.

Document Copying and Reproduction Processes. By H. R. Verry, F.I.B.P., A.R.P.S. Pp. 328 (Fountain Press, London: £2 12s. 6d. net.)

ADVERTISEMENTS IN BUSINESS magazines and the showrooms and exhibition stands of office equipment manufacturers offer an ever-increasing variety of document copying and reproduction equipment. It is difficult to select the process most suitable for a particular purpose, quite apart from assessing the comparative merits of similar equipment produced by different manufacturers.

Mr. H. R. Verry (who advises the Organisation and Methods Division of H.M. Treasury on photographic document copying and reproduction processes) has written a book which will be invaluable to all who are seeking the

best means of reproducing documents, whether only one copy or ten thousand are required. His object, which he has certainly achieved, has been "to make a survey of all the generally used methods of reproduction from simple carbon copying to minor offset and small type-set machines" other than professional printing, and "to outline the general principles concerned and to indicate the possibilities of each process and its suitability for particular requirements."

Although the author expressly disclaims comprehensiveness, the range of equipment he describes extends from the "simple hand duplicator" in use in Nineveh in 1000 B.C. to the "smoke printer," an apparatus at present in the experimental stage, which can reproduce microfilm copies of documents at the rate of 55 feet per minute.

The text is accompanied by many explanatory diagrams and drawings, and twenty-four pages of photographs of equipment. A series of excellent charts and tables summarise the distinctive features of the methods described and set out the comparative costs of producing various numbers of copies. There is a survey of photographic copying papers and other materials; a description of all kinds of auxiliary equipment for collating, binding, and so on, and for storing records; and a discussion of the advantages and disadvantages of a centralised reproduction service in a large concern. The book concludes with a classified index of suppliers, a bibliography of reproduction literature, a glossary of reproduction terms, and an index.

The author has explained the many technical processes in a simple and most readable manner. His book may repay its price many times over if its guidance is sought before the purchase of even one piece of copying equipment, because it will ensure the choice of the most economic and efficient process, and eliminate the need for lengthy individual research and time-consuming demonstrations of unsuitable methods.

B.G.H.

A Short History of Money. By George Winder. Pp. viii+177. (*Newman Neame and the Institute of Economic Affairs*: 15s. net.)

THE SUB-TITLE of this little book is "The story of the evolution of money with an explanation of the mechanism by which inflation in Great Britain has been brought about"; while Graham Hutton, in a laudatory Appreciation, calls it the plain man's guide to currency and inflation. This is precisely what it is. Mr.

Winder makes no pretence to produce the latest theory or to enter into the minutiae of the complex processes of the City as a financial centre. Indeed, there are occasions where a different adjective might have given a more exact picture of what happens. But he has a flair for description in plain language, and he scrupulously refrains throughout the book from the use of those technical expressions which are so useful to the expert and so muddling to everyone else. He may, perhaps, best be compared with Hartley Withers, but he has the great advantage that there is now a vast amount of information readily available which in the time of Hartley Withers had to be painfully collected or simply learned by experience. Thus, it will be seen that this is not a book for the expert, but it can be recommended with confidence to those who wish to have a clear statement of how money and credit came into existence; what has happened in this country recently; how it has happened and what the results have been.

Mr. Winder has been accused in some circles of not being objective in his treatment of post-war developments, and it is true that he lays the blame for inflation on the shoulders of Mr. Dalton and Mr. Butler. It is not certain how far those traditionally charged with the duty of regulating credit would have pursued a different policy, but it is at least certain that one of the lessons of the post-war period is that one does not solve the problem of combining ultra-full employment with maintenance of the value of the currency by making money cheap and plentiful to the Government while denying adequate supplies to private industry. F.W.F.

Books Received

Principles and Practice of Book-keeping and Accounts. By B. G. Vickery, F.C.A. Sixteenth edition. Pp. vii + 900. (*Cassell & Co. Ltd.* £1 4s. net.)

The price was wrongly stated in the advertisement in our April issue. This edition was reviewed in *ACCOUNTANCY* for July, 1958, on page 366.

Financial and Cost Accounting for Management. By A. H. Taylor and H. Shearing. Second edition. Pp. 278. (*Macdonald and Evans Ltd.*: 25s.)

The first edition was reviewed in *ACCOUNTANCY* for February, 1957 (page 79).

Notices

Courses offered by **Management Training (P.E.) Ltd.**, 12 Grosvenor Place, London, S.W.1, include *Management Accounting and the Industrial Background*, July 6-10, fee 40 guineas; *Management for Production*, June 1-5 or July 20-24, fee 35 guineas; *Office Administration*, June 15-26, fee 60 guineas; *Work Study and Management*, June 15-July 10, fee 120 guineas. The courses are not residential, but hotel accommodation can be reserved.

I.C.T. G.m.b.H. has been formed as a subsidiary of International Computers and Tabulators Ltd., to supply the West German market with the full range of I.C.T. punched card machines and electronic computers. It has its headquarters in Düsseldorf, and plans to open branch offices by the end of the year in Hamburg, Stuttgart, Hanover, Berlin, Nuremberg and Munich. It made its first public appearance at the Hanover Fair last month.

The **Accountants' Christian Fellowship** will hold its monthly meeting for Bible reading and prayer at 6 p.m. on June 1, in the vestry at St. Mary Woolnoth Church, King William Street, London, E.C.4. The scripture for reading and thought will be Colossians, Chapter 1, verses 9 to 17 (Paul's prayer for the Christians in Colosse).

The British Institute of Management, in association with the British Productivity Council, has established **The Centre for Interfirm Comparison**, with offices at Management House, 80 Fetter Lane, London, E.C.4. The Centre will be an independent specialist body, providing comparisons for individual firms or conducting confidential interfirm comparisons among members of trade associations. It will have close contacts with the European Productivity Agency of the O.E.E.C. and with specialist bodies in Germany, Belgium, France, Holland, Switzerland, Austria and the United States of America. The first members of the governing Board are Mr. John Ryan (Chairman), Sir Charles Norris, K.B.E., C.B., D.S.O., and Mr. F. Sewell Bray, F.C.A. The secretary is Mr. D. Macdougald, General Secretary of the British Institute of Management. Seminars, courses and conferences will be held on management ratios and interfirm comparison. The programme opens with a seminar in Liverpool on May 27; seminars will be held in London on June 16, July 15, August 19 and September 9, and on later dates at other centres.

A students' coach tour of Switzerland for study and sightseeing is being arranged by Mr. K. C. Das, 38 Glenloch Road, London, N.W.3. The party leaves London on June 28 and returns on July 12. The basic price is 30 guineas.

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Legal Notes

Contract and Tort—

Ostensible Authority of Estate Agent to Receive Deposit

G., the owner of a private hotel, instructed P., an estate agent, to find a purchaser. P. introduced a prospective purchaser, R. No contract resulted, as the owner eventually decided that he did not wish to proceed, but during the negotiations the estate agent had, unknown to the owner and without his instructions, accepted from R. two sums by way of deposit. R. brought an action against P. and the owner, claiming the return of these sums.

The county court judge found on the facts that P. had purported to receive the sums as agent for the owner and not as stakeholder; there was no claim against the estate agent for breach of warranty of authority, and the action against him failed. The judge held, however, that the owner was liable to refund the money, as the estate agent had his ostensible authority to accept the deposits. This view was upheld by the Court of Appeal in *Ryan v. Pilkington* [1959] 1 W.L.R. 403.

This case emphasises the importance of giving instructions only to reputable estate agents. If several persons were negotiating for the same property, an agent might accept a deposit from each, and if he then defaulted the owner might find himself bound to repay all the deposits.

Contract and Tort

Exchange Control

In *Barbey and others v. Contract and Trading Co. (Southern) Ltd.* [1959] 2 W.L.R. 568, the plaintiffs, who were resident in Switzerland, were the holders in due course of certain bills of exchange and the defendants, an English company, were the acceptors of those bills. The defendants conceded that they would be liable on the bills apart from the provisions of the Exchange Control Act, 1947, but they argued that, as Treasury permission was required for payment of the bills and no permission had been given, the action would not lie. *Prima facie* the answer to this argument is provided by the Act itself, for under paragraph 4 of the 4th Schedule: "In any proceedings in a prescribed court . . . a claim for the recovery of any debt shall not be defeated by reason only of the debt not being payable without the

permission of the Treasury and of that permission not having been given . . ." The defendants contended, however, that this paragraph did not apply because there was an additional reason why the claim should be defeated, namely, an implied condition under Section 33 (1) of the Act, which provides: "It shall be an implied condition in any contract that where, by virtue of this Act, the permission of the Treasury is at the time of the contract required for the performance of any term thereof, that term shall not be performed except in so far as the permission is given or is not required; Provided that this sub-Section shall not apply in so far as it is shown to be inconsistent with the intention of the parties that it should apply . . ."

The Court of Appeal, following *Cummings v. London Bullion Co.* [1952] 1 K.B. 327, held that paragraph 4 of the 4th Schedule did not apply only when the parties to a contract had shown that Section 33 (1) was not intended to apply; it covered also the more common instance in which a term was to be implied under Section 33. Accordingly, the defendants had no defence to the claim.

It will be remembered that under a further provision a debt of this character may be satisfied by a payment into court.

Executorship Law and Trusts— Variation of Trusts

Several cases brought under the Variation of Trusts Act, 1958, have recently been reported, and the court has directed that as a general rule applications for the approval by the court of a variation of a trust should be heard in open court so that there may be uniformity of practice. If, however, there is some particular reason why the hearing should not be in open court, an application may be made for the case to be heard in chambers.

In *In Re Coate's Trusts: In Re Byng's Will Trusts* [1959] 1 W.L.R. 375 (two separate cases which are covered by the same report), the Court said that, where the application was to vary an investment clause, one of two possible courses might be followed: either words might be added to the existing clause, or the existing clause might be revoked and a new clause substituted containing the appropriate enlargement and incorporating all that was worth saving of the existing range of choice. The report sets out in full the new investment clause which the court approved in the case of *In re Byng's Will Trusts*.

In *re Steed's Will Trusts* [1959] 2

W.L.R. 470 shows that the new Act has not given the court unlimited power to vary trusts. Trustees held property on protective trusts for S. There was disagreement between the trustees and S. as to whether or not a certain farm forming part of the trust assets should be sold, and S. took out a summons asking the court to approve an "arrangement" varying the trusts whereby the trustees should hold the assets upon trust for S. absolutely. The trustees opposed this.

Harman, J., said that a proposal put up by S. alone in face of the opposition of the trustees could not be an "arrangement" within the meaning of Section 1 of the Variation of Trusts Act, 1958: the arrangement to which the Act referred must be something arranged between more than one person. In his judgment, therefore, he had no jurisdiction to approve the proposal. Further, even if he had jurisdiction, he would not think it right for the Court to override the discretion of the trustees if that discretion was being properly exercised.

An Accountant's Guide to Recent Law

ACTS OF PARLIAMENT

Overseas Resources Development Act, 1959. Consolidating the Acts of 1948 to 1958. County Courts Act, 1959. Consolidating enactments relating to the constitution and administration of County Courts.

Emergency Laws (Repeal) Act, 1959. Repealing certain emergency laws and providing for the continuance in force of others.

Family Allowances and National Insurance Act, 1959. Amending law as to determination of questions arising under the Acts of 1945 and 1946.

International Bank and Monetary Fund Act, 1959. Enabling effect to be given to proposed increases in quotas of the Fund and in capital stock of the Bank.

Consolidated Fund Act, 1959. Applying sums out of the Fund to the service of the years 1958, 1959 and 1960.

STATUTORY INSTRUMENTS

No. 403. Foreign Compensation (Financial Provisions) Order. Enabling Commission to repay its expenses out of certain sums received.

No. 445. Control of Borrowing (Amendment) Order. Amending Order of 1958. Treasury consent now required to issue redeemable shares or other securities for purpose of capitalising profits or reserves.

No. 447. General Grants (Pooling Arrangements) Regulations. Providing for pooling of expenditure on teacher training, etc.

No. 451 (C.5). Tribunals and Inquiries Act, 1958 (Commencement) Order. Appointed day for Sections 8, 9 and 12 of Act is April 1, 1959.

No. 452. Tribunals and Inquiries (Revenue Tribunals) Order. Excluding certain tribunals

from operation of Section 12 (1) of Act. (See page 000.)

No. 450 (L.2). Rules of the Supreme Court (No. 1). Providing *inter alia* for appeals on point of law under Section 9 of Tribunals and Inquiries Act, 1958, and references to High Court by agricultural land tribunals.

No. 496. Agriculture (Calculation of Value for Compensation) Order. Method of calculating value to incoming tenant of improvements under Agricultural Holdings Act, 1948.

No. 474. Small Farmer (England and Wales and Northern Ireland) Scheme.

No. 475. Small Farmer (England and Wales and Northern Ireland) Supplementary Scheme.

Nos. 474 and 475 provide for making of grants.

No. 481. Opencast Coal (Registration of Orders) Rules. Providing for registration of compulsory rights orders in local land charges registers.

No. 517. Exchange Control (Import and Export) (Amendment) Order. Permitting travellers to take out of U.K. £20 in sterling notes.

No. 467. National Insurance (Industrial Injuries) (Prescribed Diseases) Regulations. Consolidating existing regulations.

No. 524. Patents (Amendment) Rules. Allowing public admission to hearings.

No. 574. Treasury (Loans to Local Authorities) (Interest) Minute. Reducing rate of interest chargeable on loans from Local Loans Fund.

No. 549. National Insurance (Earnings) Regulations. Providing for increase in amount of earnings to be disregarded in case of retirement or widow's pension, etc.

No. 530. Central Land Board (Dissolution and Transfer of Functions) Order. Transferring certain functions to Minister of Housing and Local Government.

No. 615. National Insurance (Unemployment and Sickness Benefit) Amendment Provisional Regulations. Providing for periods of short-term working to be disregarded in determining what is normal course of work.

No. 625. Foreign Compensation (Egypt) (Determination and Registration of Claims) Order. Providing for determination of claims by Commission.

No. 641. Purchase Tax (No. 1) Order. Providing for treatment of television sets as regards tax.

No. 640. Foreign Compensation Commission (Egyptian Claims) Rules. Procedure to be followed in proceedings before the Commission.

No. 644. Exchange Control (Authorised Dealers) Order. Listing banks, etc., authorised to deal in gold and foreign currency.

No. 645. Exchange Control (Authorised Depositories) Order. Listing those entitled to act for purpose of deposit of securities.

No. 702. Companies Liquidation Account (Interest) Order. Prescribing $2\frac{1}{2}$ per cent. p.a. in place of $3\frac{1}{2}$ per cent.

DECISIONS OF THE COURTS

Arbitration

Danish award, though not directly enforceable in Denmark until judgment of Danish courts obtained, held a final award within Section 37 (1) (d) of Act of 1950 and enforceable in same way as an English award.

Union Nationale des Co-opératives Agricoles de Céréales v. Robert Catterall & Co. Ltd. (2 W.L.R. 532; 1 All E.R. 721.)

Building

No duty owed to independent contractor under Building (Safety, Health and Welfare) Regulations, 1948.

Herbert v. Harold Shaw Ltd. (T.N. April 11.)

Coal Mine

"Coal face" held to be within "sides of a working place" in Section 49 of Act of 1911.

Gough v. National Coal Board. (T.N. April 17.)

Compulsory Purchase

Legal and accountancy costs incurred in preparation of claim held recoverable as part of compensation. Method of assessment of compensation for loss of goodwill discussed.

London County Council v. Tobin. (1 W.L.R. 354; 1 All E.R. 649.)

Estate Agent

Principal held under duty to repay deposit paid by prospective buyer to agent without knowledge of principal, as agent acting within ostensible scope of his authority.

Ryan v. Pilkington. (1 W.L.R. 403; 1 All E.R. 689.) (See page 279.)

Husband and Wife

Conveyance to husband and wife as trustees of house and land upon trust to sell and to hold proceeds of sale and rent and profits until sale upon trust for themselves as joint tenants, held settlement within Section 25 of Matrimonial Causes Act, 1950, and Court could vary its terms.

Brown v. Brown (T.N. April 20.)

Landlord and Tenant

"Premises" in proviso to Section 11 (2) of Act of 1957 means premises capable of physical occupation and not incorporeal rights such as the use in common with other tenants of a garden. New tenancy held outside protection of Rent Acts.

M. & J. S. Properties Ltd. v. White. (2 W.L.R. 525.)

Negligence

The issue whether defendants ought to have urged plaintiff to wear protective clothing is one of fact, not law.

Qualcast (Wolverhampton) Ltd. v. Haynes. (2 W.L.R. 510; 2 All E.R. 38.)

Restrictive Trade Practices

Restrictions in agreement held contrary to public interest.

In re British Radio Valve Manufacturers' Agreement. (T.N. April 9.)

In re Road Rollers Manufacturers' Agreement. (T.N. April 9.)

Agreement terminated and list of restrictions agreed. Order made in common form.

In re An Agreement between Ashwell & Nesbit Ltd. and Others. (T.N. April 22.)

Settlement Construction

Doctrine of acceleration can only be brought into action when court can conclude from trust instrument that settlor had so intended.

In re Young's Settlement Trusts. (1 W.L.R. 457; 2 All E.R. 74.)

Shipping

As no safe means of access to lower 'tween deck, there was breach by shipowners of Dock Regulations and injured plaintiff entitled to succeed against them.

Mace v. R. & H. Green & Silley Weir Ltd. and British India Steam Navigation Co. Ltd. (2 W.L.R. 504; 1 All E.R. 655.)

Town and Country Planning

Quaere whether right test in applying Section 33 of the Act of 1947 is to consider whether even if land is not within the curtilage of a

building the existing use of the land is the same as that of the building.

Stephens v. Cuckfield R.D.C. (2 W.L.R. 480; 1 All E.R. 635.)

Appeal allowed against enforcement notice under Section 24 of Act of 1947. Difficulty of framing valid notice discussed. Need to amend the Act.

Cater v. Essex County Council. (T.N. April 15.)

Trusts

Arrangement approved whereby life tenant under discretionary trust and his son, the remainderman, would divide half the trust fund between them subject to provision for son's issue.

In re Poole's Settlement Trust. (T.N. April 9.)

Arrangement approved under Act of 1958 varying trusts of settlement in order to avoid estate duty claim.

In re Needler's Settlement Trusts. (T.N. April 11.)

Variation of settlement approved.

In re Cohen's Trusts. (T.N. April 17.)

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ABBREVIATIONS USED

All E.R. The All England Law Reports

T.N. The Times Newspaper

W.L.R. The Weekly Law Reports

Note: Taxation cases and articles excluded.

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The Student's Columns

INFORMATION FOR THE BOARD—II*

By E. H. DAVISON, A.C.A.

The Period Covered

Having run through in a summary way some of the problems and choices which will lie before the accountant in providing information for the Board, I should now turn to some more technical points of a somewhat less generalised character. The first of these is the consideration of the period which information should cover. Not enough attention has been given to the study of this problem and the answer is usually empirical. It so happens that Board meetings are usually held at monthly intervals; sometimes more frequently, sometimes less. It therefore follows or seems to follow that information on financial and accounting matters should be presented up to date at each Board meeting and consequently usually on a monthly basis. In some businesses this may be about right; in others it may be too frequent or too infrequent. I cannot suggest any firm solution to this problem of periodicity in terms of formulæ but I can suggest that it is a point which needs research, bearing in mind that too frequent production of information adds not only to the work of the department but to postal problems, to filing problems, and the problems of finding time to read the information. On the other hand, we are all too well aware that nothing is more likely to keep our records up to date and in good order than the necessity to work to a regular and demanding timetable.

The answer to this problem doubtless lies in the rate of movement within the business. Where there is a rapid turnover of capital, and in particular where much money is locked up in stock and work-in-progress, conditions can change with such rapidity that it is eminently desirable to ensure that information is neither too long delayed nor too infrequently presented. Where the capital investment consists mainly of fixed assets, the turnover of capital is slow, and investment in stocks and work-in-progress is normally low, it is less necessary to produce information at short intervals.

Numbers Off

The question of copies then arises. It is, I have no doubt, the normal practice to produce one copy of each statement for each member of the Board and to circulate it with the agenda for the meeting. This practice may usually be the best but if it involves a considerable

volume of paper there are possibly other and better solutions, of which one may be the production merely of a synopsis of the main points arising, to be amplified by verbal explanation at the meeting. This method at least ensures that only those points are dealt with upon which questions genuinely arise; too often a long report will consist mainly of underlining points which no one would ever think of disputing.

Accounting Conventions

Earlier I mentioned accounting terminology. At this point perhaps I could again stress the virtues of simplicity, avoidance of jargon, and above all the eschewing of the technique of "begging questions." By this last term I mean assumptions which may be the foundation of good accounting practice but which, when brought face to face with realities, reveal large areas of doubt. Many accounting conventions rest solely on opinion and it is as well, in submitting accounting information, to make quite clear which conventions have been used and where an alternative convention would lead to a different conclusion.

Detail

These counsels may be regarded, if they have any virtue at all, as counsels of perfection. The accountant in industry is, after all, dealing with real people who will tend, if he produces a full report, to complain that they have no time to read it, and if he produces a shorter version, that they have not been provided with adequate information. Very often both criticisms will be raised by different members of the Board at the same time. No one should be astonished at this state of affairs, once it is realised that although the Board is a body it is composed of individuals who regard each of the problems placed before the Board with varying degrees of concern and each of whom has his own approach to their solution.

It is in fighting against the demand for more detail that the accountant may find his greatest difficulty, not only because each demand will often be justified on its own merits but because the accountant's inborn inclination is to furnish information on as wide a scale as he can. Nevertheless it is a battle which must continuously be fought. It is too often the case that once a supplementary or explanatory statement has been asked for and provided it then becomes a routine report and long outlasts its usefulness.

* A paper read at the Residential Course of the Chartered Accountant Students' Society of London at Balliol College, Oxford, last September. Mr Davison is Treasurer of Courtauld's Ltd. The first part appeared in our April issue, pages 225-6.

The Historical Trend

Earlier I suggested that the Board as a Board would be more interested in long-term trends than in day-to-day details. In a world in which everything is becoming more and more planned and in which, in the field of management accounting, the importance of forecasts and budgets is continuously being stressed, we must not overlook the value of watching the historical trend of the business. Many companies provide their shareholders with a historical review of their results; some have done so for very many years. These statements are useful but, particularly for internal use, they have their dangers in that the results are not strictly comparable unless they are corrected for the inflationary trend. What form this correction should take does not form part of my subject today but I draw your attention to the problem in pointing out that increasing profits indicate no improvement or expansion unless the increase still remains after the inflationary element has been removed.

The lessons which may be drawn from a historical statement covering an adequate period are many, but there will be time here to mention but a few. Of these the first is, perhaps, a view of the effect of past Board decisions on the company as a whole, showing the interaction of the effects in one part of the business on results elsewhere.

Another is the detection of the approach of the effect of the law of diminishing returns. Too often it is possible to carry on with a line of business, and plan for its continuance, when the return on capital is clearly diminishing and a continuation of the trend implies an uneconomic future.

Yet a third is the change in emphasis which, over the years, most businesses reveal. If this shows nothing else it demonstrates the desirability, and more the necessity, of a flexible approach to long-term planning.

Again, only too often it can be seen that the insidious increase in overheads, so small year by year, can over the years present an overwhelming problem.

Projections into the Future

It is, I believe, an increasing practice to plan ahead in terms of years. More use is being made of general economic data in order to forecast long-term trends: it is particularly necessary to forecast in this way when a business is confronted with major projects for capital expenditure which may take a year or two to come to fruition. Indeed, for a large business a ten-year budget would not be unrealistic and in terms of the general policy control of the course of investment twenty years would not be too long. Such long-term forecasts have, of course, very little validity in the arithmetical sense but they can be used to put capital outlay in perspective in the determination, from a policy point of view, of the shape of the business in years to come.

It may be that the Board will regard with some impatience an attempt to project the future of the business over so long a period as twenty years. Unkind words, such as "crystal gazing," are sometimes used of an attempt

to give form to the future development of the business. On the other hand, it may fairly be pointed out that a business which is run without some firm intention and without regard to long-term future possibilities can hardly complain if it finds itself in increasing difficulty in making its shorter-term decisions. It can have no rule of life to work on.

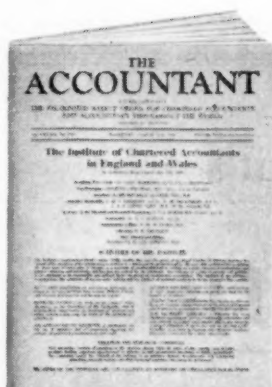
As a background to their decisions therefore the Board may well be concerned with the historical trend and the estimated future trend, and no doubt once in each year or thereabouts may well give special attention to a general review of this kind. Within the long-term future budget will be the short-term budget for perhaps a year ahead, which will provide the Board with an opportunity to assess results for the forthcoming year and to take corrective steps should the budget be regarded as unsatisfactory. From month to month (or as often as may be necessary) the results will be summarised, compared with the short-term budget, and reported to the Board.

Capital, Profit and Cash Forecasts

Within this temporal framework the Board will probably be primarily interested in financial and accounting data on profits, on cash, and on capital outlay. These three aspects of accounting data are, of course, all inter-related. A long-term review of profits is of little value, even if corrected for an unstable currency, unless the profits are compared with the investment which produced them. A forecast of capital outlay is of little value unless it can be shown within reasonable limits of doubt that the money will be there to finance it or, if it is not there, that the money can be found, in which case the profits must be there to service it. Forecasts of capital expenditure, profit forecasts, and cash forecasts should therefore be founded on the same basic data, should be interrelated and reconcilable, and should refer to the same periods.

Armed with data of this kind it should be possible for the Board to reach decisions in a logical manner and in such a way as consciously to shape the course of the business to desirable ends. The Board decision on, for instance, capital expenditure may be most carefully made but after all the decision does not take very long to make. It will, however, last for a long time, and the Board decisions made from month to month are consequently shaping the course of the business for many years ahead. Unless all these decisions are made within the framework of a consistent policy outlined in financial forecasts the business will, within a period of time, whether short or long, find itself faced with the problem of extracting itself from difficulty, by which I do not necessarily imply financial difficulty.

Up to now I have used the words "forecast" and "budget" indiscriminately though there is a fundamental difference between the two. A forecast is a guess, more or less intelligent, about the future course of events and implies a passive attitude to those events either because they are beyond the control of those who make the forecast or because they are too dimly perceived to be reliable. A budget, however, is a plan, and expresses intentions which are considered to be within the power of those who



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make the budget to carry out. While therefore comparison of achievement with a forecast merely serves to show whether the forecast was right or wrong, comparison with a budget is an instrument of control.

The accountant's approach to information for the Board will in the main, I feel, be concerned with the long view. Experience, as revealed in historical reviews, joined with skill in interpreting current trends, will lead to decisions the outcome of which will be predicted in the long-term budget, which will be continuously under review, based on plans the achievement of which will be

sought with a flexible approach to tactics in a changing world.

While I started this paper with a warning against generalisation, I have committed myself to a very large number of general statements. For the most part I believe them to be fundamental generalisations and therefore valid, but in concluding I must warn you that to every rule I have suggested there will be important exceptions. If I have done no more than give you food for thought on some aspects of information for the Board I shall be satisfied.

THE MEANING OF "ANNUAL"

THE WORD "ANNUAL" is used in many places in the Income Tax Acts without any precise definition of its meaning. At first sight it might be supposed that "annual profits" meant profits which were repeated year by year. That, however, is not so. The meaning is "coming once a year," as with a book that is published once a year, or "in a year" or "for a year." Annually indicates repetition, annual does not. Annual profits or gains, therefore, are profits or gains arising or accruing in the year in question. "Annual" is used in the Income Tax Acts in this connection to indicate that the profits are income, not capital surpluses. Thus in *Martin v. Lowry* (1925-26, 11 T.C. 297, H.L.) the profits of a trade carried on for much less than a year were held to be annual profits.

Under Case II of Schedule D there arise situations where apparent annual payments are not regarded as such for the purpose of taxation. Examples are (i) where an actor was assessed under Case II on a share in the receipts from films in which he had acted, and (ii) where an author received royalties on the sales of his books and was assessed on them under Case II. In both instances it was held that receipts by the executors after the death of the individual concerned arose from the profession which had ceased on the death and that they escaped tax. They were the reward for professional activities of the deceased and did not arise from the exploitation of his property (i.e. the copyright) (*Stainer's Exors. v. Purchase* [1952] A.C. 280 (H.L.); *Carson v. Cheyney's Exor.* [1958] T.R. 349 (H.L.)).

Under Case III of Schedule D is to be charged any annuity or other annual payment whether received and payable half-yearly or at any other shorter or more distant periods, unless taxed at source. "Annual payment" here includes interest at a fixed rate per cent. even if only accruing from day to day; the term "yearly interest" has the same meaning as "annual payments" (Wood, V. C. in *Bebb v. Bunny* [1854] 1 Kay & J. 216). An annuity is an annual payment, though nowadays a portion of the purchase price may be treated as capital for taxation purposes.

Sections 169 and 170 of the Income Tax Act, 1952, are

important cogs in the collection of tax, providing respectively for the deduction of tax (a) from annual payments paid out of profits charged to tax, and (b) from annual payments paid otherwise—for example, out of capital. The annual payments in question must, however, be such that they could be charged under Schedule D were income tax not deducted at source, i.e., the payments must be income of the recipient.

In Case III, and therefore in Sections 169 and 170, it appears that the word "annual" is used slightly differently from the way it is used in connection with annual profits, in that the judges have had regard to the principle that the annual payment must be recurrent or capable of recurring (see for example the words of Lord Maugham in *Moss Empires v. C.I.R.* [1937] A.C. at p. 795 (H.L.)). The payments may be contingent and variable in amount—for example, dependent on profits being or not being available, so long as they are ascertainable.

Patent royalties are expressly brought into Sections 169 and 170 though not mentioned in Case III. Case VI would presumably meet this position if direct assessment became necessary.

The question of what is "yearly interest" was summarised in *C.I.R. v. Sir Duncan Hay, Bart.* (1924, 8 T.C. 636) to this effect:

- (1) Interest payable in respect of short loans is not yearly interest.
- (2) The loan on which the interest is paid must have a measure of permanence.
- (3) The loan must be in the nature of an investment.
- (4) The loan must not be repayable on demand.
- (5) The rate of interest may fluctuate from time to time so long as the interest is payable yearly.

Any interest which is "short" interest—for example, on a bank overdraft—is not taxed at source, but assessed on the recipient under Case III. However, the interest payable on the purchase price of property where completion is delayed is yearly interest from which tax is deductible.

The above remarks are not exhaustive of the subject, though they may be somewhat exhausting to the beginner in the study of income tax!

The Institute of Chartered Accountants in England and Wales

Annual Meeting

THE ANNUAL MEETING of the Institute of Chartered Accountants in England and Wales was held at the Hall of the Chartered Insurance Institute, Aldermanbury, London, E.C.2, on May 6.

The President, Mr. W. L. Barrows, LL.D., J.P., F.C.A., was in the chair. He said:

Ladies and Gentlemen,

Before proceeding I will introduce those whom I have with me on the platform:

On my left are Mr. Peat, Vice-President, Sir Thomas Robson and Sir William Carrington, both Past Presidents, Mr. Wilkinson and Mr. Allen, Assistant Secretaries. On my right are the Secretary, Mr. MacIver, Mr. House and Mr. Lawson, both Past Presidents, Mr. Loveday, Assistant Secretary, Mr. Craig, Assistant Secretary and Mr. Evan-Jones, who has today been appointed an Assistant Secretary.

May I take it that as usual you will take the notice convening the meeting and the auditors' report as read? (*Agreed.*)

The President then proposed the adoption of the report and accounts, and delivered the address printed on pages 246-50 of this issue.

Mr. C. U. Peat, M.C., M.A., F.C.A., Vice-President, seconded the resolution.

The President: The resolution has now been moved and seconded, and the report and accounts are now open for questions or discussion.

Mr. A. V. Hussey, F.C.A. (London): Mr. President, it was the hour of midnight when I read pages 71 to 74 of the 1958 Report. It frightened the life out of me. Then I realised that I had nothing to fear from the Council on the grounds of professional misconduct, fraud or any of those other awful things, but I was glad to reflect, in case I got neglectful in my old age, that I had given a bankers' order for my subscription to be paid on the due date. I then went back to page 61—"Excess expenditure over income, £63,000." I know steps have been taken to put that right, so we hope that is the first and last occasion when we shall see an account giving such an adverse result.

Now, Mr. President, may I turn to pleasanter things. Pleasant thought No. 1. As a former member of the Society, last year was the first time I was entitled to attend the annual meeting, and as I am on my feet again this year, I promise you, Mr. President, members of the

Council and all present, that I shall not make it an annual event to disturb the peace and tranquillity of the Institute's annual meeting. (*Hear, hear.*) Pleasant thought No. 2. Mr. President, would you please accept from me personally my very grateful thanks for a job of work very well done. (*Hear, hear.*) I have observed throughout the year that up and down the country you never fail to make the most of any opportunity to make reference to accountants' fees, a very important item and one which, of course, is constantly in our minds, but notwithstanding what is on page 90 of the *Accountant's Pocket Diary* for 1959, of your 10,000 practising members it is a very small minority who have the pleasure of charging and receiving from their clients fees at the rate of 40 guineas per day. Finally, pleasant thought No. 3. Mr. President. Recently an accountant friend of mine sent me a copy of his company's annual accounts, a wonderful pictorial document, and I observed one figure in the accounts—it was 9,600 million representing the sales for the year. It is true the figures were in dollars, but it still seems a lot of money to me. I said to my friend: Thank you for sending me the accounts but it makes me as a sole practitioner feel like a worm crawling. (*Laughter.*) He said: "You should not feel like that." I reflected then on the presidential address of a former President of the Society, who has unfortunately passed on. If I remember it correctly, he informed us that of the direct taxation raised in the country, something like 70 per cent. comes from individuals and businesses whose capital structure does not exceed £25,000. That thought brought me to balance and made me realise that there is still room, perhaps, for some useful service from a sole practitioner.

Once again, Mr. President, members of the Council, the secretary and all those who have been so busily engaged during 1958, my sincere respects. (*Applause.*)

Mr. F. A. Roberts, A.C.A. (Surbiton): Mr. President, we have had the Companies Act with us now for something like eleven years, and it may be that I am rather bold—I hope not frivolous—in bringing to the consideration of the meeting, and, I hope, of the Council, the question whether we are right in continuing to certify profit and loss accounts which do not show turnover as presenting a true and fair view. In the lectures which I have been privileged to give before District Societies for many years past, I have expressed certain views about what I believe to be the true construction of Section 149, which is what we, or rather I, call "the true and fair view Section." I have received a great deal of support in the discussion at the end of my lectures from the respective chairmen and members of the

committees, and at the hospitality afterwards we have discussed this further and I have travelled back to London feeling rather elated.

Being an "integrated" member of the Institute, I missed last year's annual meeting and therefore this is the first occasion on which I have had the opportunity of presenting my views. I would say that I have been fortified in putting these views to the meeting by the recent remarks of Mr. Romer-Lee in a paper before the Summer Course last year. If I may respectfully say so, I thought it was a most stimulating paper. May I just quote, in order to lead up to my point, his observation verbatim: "By disclosing turnover, the remainder of the profit and loss account is put into proper perspective." That encouraged me enormously. I only wish he had gone a stage further and said that those words "proper perspective" were synonymous with "true and fair view", but in any view of simple English he was getting very near to saying that. I am very much encouraged to address this meeting by Mr. Romer-Lee's views. I think probably the misconception, if there be one, has arisen in this way. When the Companies Act was first introduced many well-known members of the profession and the Institute took the opportunity of taking the opinion of Counsel, and several booklets were published by various members of the Institute and others. They all confined themselves very largely—I must leave out the matters upon which the Council of the Institute had Counsel's Opinion, but the booklets which were published were almost wholly confined—to reiterating the requirements of the Eighth Schedule. We all got to know this rather by heart and I think perhaps we have all overlooked sub-Section 3 of Section 149.

Now Section 149, sub-Section 1, of course, demands a true and fair view. Then sub-Section 2 refers to the Eighth Schedule—what we may call almost mechanical procedure—and then we come to sub-Section 3, and this is where, I think, the point arises. It says that mere compliance with the Eighth Schedule shall be without prejudice to the generality of sub-Section 1, so we get this, do we not—if we comply with the Eighth Schedule with the utmost affection, we still have to face the overriding application of sub-Section 1, which is to present a true and fair view of the profit. From that I may close quite quickly. Can there be a true and fair view of anything which does not disclose the salient features? There may be many arguments as to what are "salient features" of the profit and loss account, but can there be any doubt that the sales figure, from which the profit takes its root, is undoubtedly a prime factor where you have to give a true and fair view?

Now the Press, of course, the professional Press and the general Press, are constantly congratulating our big public companies in those cases where turnover is disclosed; sometimes one sees rather detrimental remarks about the accounts of those companies where turnover is not disclosed, and I would like to repeat, Mr. President—in fact, I would like to ask you if



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the Council would think fit to take the advice of an eminent Chancery Counsel on the true construction of Section 149. I repeat I feel rather a sole *persona* in making this point myself, but, as I said, I am encouraged to do so by the views of a great many well-known members throughout the country, and certainly not least by the observations of Mr. Romer-Lee to which I have referred, which I think got within a narrow margin of the point which I seek to make. Mr. President, I thank you. (Applause.)

The President: If there are no other observations or questions, I would first of all thank you, Mr. Hussey, for the kind things you said. I do not think there were any questions but we very much appreciate some of the remarks you made.

Mr. Roberts, I am sure you will agree I cannot be expected to have the Companies Act by me, or even the Sections or sub-Sections you mentioned, but you may rest assured that your comments and remarks will be considered by the appropriate Committee, the Parliamentary and Law Committee of the Council.

I think it is my duty now to put the resolution which has been proposed and seconded. Those in favour? On the contrary? Carried unanimously.

The next item is to confirm the appointment of five members of the Council—that is referred to in paragraph 13 of the Report. I have pleasure in moving the resolution to confirm the appointment of five members of the Council to fill vacancies arising since the last annual meeting. Their names appear in paragraph 13 of the report. I will not read them in full—they are: Mr. Coult, Mr. Jackson, Mr. Matthews, Mr. Walton and Mr. Wright. I will ask the Vice-President to second that.

Mr. C. U. Peat, M.C., M.A., F.C.A.: I beg to second the resolution.

The President: Those in favour? On the contrary? That is carried.

Item No. 3. The following members of the Council retire under bye-law 5 and are eligible for re-election. The names of the members in practice—other than Society appointed members, whose position is governed by Section 18 of the scheme of integration—have been referred to the district societies concerned, and, no other nominations having been received, I declare the eleven members re-elected in accordance with bye-law 8.

Item No. 4—to appoint auditors. I think Mr. Davis is going to propose a resolution.

Mr. B. J. Davis, F.C.A. (London): Mr. President, I have pleasure in moving the following resolution: (1) That Mr. Leonard Walter Bingham, F.C.A., and Mr. Leonard Pells, M.A., F.C.A., be reappointed auditors for the ensuing year at a remuneration of 1,000 guineas; (2) That the recommendation of the Council to increase the remuneration of the auditors for the year 1958 from 600 guineas to 1,000 guineas be approved; (3) That the warm thanks of the Institute be accorded to Mr. Geoffrey Bostock for his services as auditor to the Institute during the past twenty-five years.

In moving these resolutions, Mr. President, I want to say two things. The first is this—this morning in *The Times* I noticed that the salary of the Comptroller and Auditor General is to be increased from £6,000 to £7,000 per annum, and this is perhaps an opportune moment to mention an increase in the remuneration of the auditors of the Institute. They do an enormous amount of work and the time has come when their remuneration, as judged by past figures, is inadequate, and we should

in my opinion, increase this fee to 1,000 guineas both in respect of 1958 and for the future.

The other thing I want to say is this. Mr. Bostock, who has had to resign because his partner was elected a member of the Council, has done noble work for the Institute for twenty-five years, and I think this is an opportunity when we should record our very warm thanks to him for his work. I am glad to say that in spite of the fact that he has retired from the paid office of auditor, he has very kindly agreed to remain an unpaid auditor of the Benevolent Association. (Applause.)

Mr. F. A. Roberts: Mr. President, it is my pleasure to second that motion.

The President: Ladies and gentlemen, as a matter of fact I think there are three motions and I suppose to be correct I have to put them separately. The first is the appointment of Mr. Leonard Walter Bingham and Mr. Leonard Pells as auditors. Is that agreed? (Agreed.) Secondly, a retrospective resolution in regard to their fees for 1958. Is that agreed? (Agreed.)

Thirdly, I am sure everyone will echo your words about Mr. Bostock. I had the opportunity of saying something about him at the Council meeting last month. I know that those wishes and thanks will be conveyed to Mr. Bostock. I do not think he is here. I am sorry—he is here. I am very glad he is here, so he will have heard them. (Applause.)

The next item—Item No. 5—is the motion submitted by Miss Vaughan. You will all have read that motion and therefore I will not read it, but I think it may save the time of the meeting if I say this. This matter was considered by the Council at its meeting this morning, and it was resolved by the Council to examine the question in all its aspects and to discuss it with the Scottish and Irish Institutes and report to the next annual meeting. I do not know whether you would like that read again, or whether it is clear? I do not know whether Miss Vaughan would like to speak?

Miss D. M. Vaughan, B.A., F.C.A. (Edinburgh) had given notice of the following resolution:

Having regard to the fact that members practising in Scotland are unable to take articulated clerks or apprentices, this meeting calls on the Council to submit proposals for the amendment of the Royal Charter and bye-laws to give them corresponding privileges to those enjoyed by Scottish Chartered Accountants in England and Wales.

Miss Vaughan said: Mr. President, I would like to say that this resolution is on the order paper in my name only because that is the way motions must come forward. I have here with me a colleague from Edinburgh, Mr. Wittet: he is Chairman, and I am Secretary, of the English Association of Chartered Accountants in Scotland, and it is on their behalf that we have brought this before the meeting. We are very appreciative of the difficult problem which is involved, but it is in order to enhance the status of the chartered accountants in Scotland who are members of this Institute that we have brought this forward. I would like to thank you, Mr. President, for bringing this matter up and the Council for considering it so carefully. As I said, we do appreciate that it is a difficult problem and we look forward to the fact that you will find a happy solution for us. I would just like to end by thanking those who have come to this meeting to support this motion and say it is now withdrawn. (Applause.)

The President: Thank you, Miss Vaughan. You can rest assured that the matter will receive most careful consideration as soon as

practicable, and we shall be reporting at the next annual meeting.

Sir Russell Kettle, F.C.A.: Mr. President, may I make a few observations arising out of Miss Vaughan's resolution? That only touches the fringe of a very much wider and important question, a question which many of us think should be dealt with, and that is perhaps the integration of the Scottish and English Institutes. Here we have this strange phenomenon that a large proportion of the members of the Scottish Institute are practising in our country, and we had the very peculiar spectacle just recently that they actually elected as President a member who is practising in London. I like the members of the Scottish Institute—I admire them very much—and I believe if a consensus of opinion was taken many in London think they would benefit by doing away with this absurd division of chartered accountants partly in Scotland and partly in England and Wales, and having an Institute of Chartered Accountants in Great Britain. I think perhaps the opposition comes from those who have not left their native land and still live in the atmosphere of Culloden and Bannockburn.

I do hope, Mr. President, after the very successful integration carried out with such skill by the Council last year, something will be done to put an end to this stupid position of having two lots of chartered accountants in this small island. (Applause.)

The President: Sir Russell Kettle, you will not expect me to reply in any way whatsoever to those very interesting remarks. They will be noted by us, and obviously by others. (Laughter.)

Special Meeting

That concludes the proceedings of the annual meeting and we now become a special meeting for the purpose of considering and, if thought fit, passing resolutions numbered 1, 2, 3 and 4* as set out in pages 3 and 4 of the notice convening the meeting. I do not think there is any need to add to the notes and explanations in regard to this matter, and therefore I will formally move Resolution No. 1 and ask the Vice-President to second.

Mr. Peat: I beg to second the Resolution.

The President: Any comment? (A pause.) I put Resolution No. 1. Those in favour? On the contrary? That is carried. Resolution No. 2. There is an explanatory note which I think sets out the position clearly. I formally move Resolution No. 2.

Mr. Peat: I beg to second the resolution.

The President: I formally put Resolution No. 2. Those in favour? On the contrary? Carried.

Resolution No. 3. I will put that in the same way, I formally move Resolution No. 3.

Mr. Peat: I beg to second the resolution.

Mr. H. A. Bakewell, A.S.A.A. (London): Mr. President, I am going to speak on this resolution as an incorporated accountant in Government service who is directly affected. We are informed that the resolution is being put forward because of advice that the present differentiation between the subscription runs

*The substance of the resolutions, and the full text of the explanatory notes issued by the Council, are set out on pages 286-7.

contrary to the provisions of the scheme of integration.

I am aware that at the last general meeting an incorporated accountant member claimed that incorporated accountant members would like to be allowed the privilege of paying the same as the chartered members, apparently in the belief that the Institute would find difficulty in denying full status to people paying the same contributions as chartered members. I do not quite follow this line of argument, which appears to be putting the cart before the horse.

I suggest that the logical line is for the Institute to grant full status to existing incorporated accountants, who would then have to expect to pay the same contributions as other chartered members.

The Council last year recognised that the disability suffered by incorporated accountants was great enough to warrant the charging of a lower subscription, and this could be welcomed as a conciliatory gesture. Indeed, now that some doubt has been expressed about the competence of the Institute to charge incorporated accountants the lower subscription, it is difficult to believe that there could not have been found some way of removing the doubt other than by increasing incorporated accountant members' subscriptions.

Clause 20 of the scheme of integration says that: "Nothing in this scheme shall be construed as limiting the powers of the Institute at any time to amend its Charters and bye-laws in such manner as it may think fit," and it is therefore suggested that the Charter and bye-laws might well be amended to provide for the payment of a lower subscription by incorporated accountants until such members are granted full status in the Institute. I would beg the Council to consider this possibility. (Applause.)

The President: Does anyone else wish to speak?

Mr. B. V. Piggott, A.S.A.A. (Ipswich): Mr. President, ladies and gentlemen, it was with mixed feelings that I heard last year the proposal to increase subscriptions—except those payable by incorporated accountant members. This year the proposal to vary the resolution approved last year so that incorporated accountant members residing in England would pay the same subscription as associate members of the Institute has given further food for thought.

In one respect, at any rate, I feel sure that incorporated accountant members resemble most of their colleagues; that is, they would rather pay a subscription of £3 3s. than one of £5 5s. Financial considerations are real and our initial reaction to the special resolution before us is, quite naturally, coloured by this human trait.

There is another more important angle to this resolution, however. We are proud to be members of the Chartered Institute and are keen to see removed the artificial distinction which describes two thousand members as in some way different from the other twenty-nine thousand. On these grounds, we can only regard the increased subscription as evidence in support of our case for equal rights and accept—I could almost say welcome—it.

In conclusion, I should like to repeat the hope that I first expressed nearly two years ago that the Council of the Institute will see their way to grant us incorporated accountant members parity with the other twenty-nine thousand. Thank you, Mr. President.

The President: Mr. Bakewell and Mr. Piggott, naturally what you have said will be given most careful consideration by the

Council. I did not gather from what you said that you are opposing the resolution. At any rate, you can oppose it when it is put to the vote, but be assured that the matter will be given consideration—it is a very difficult one. I put the resolution—Resolution No. 3. Those in favour? On the contrary? No one.

Resolution No. 4—again there is an explanatory note. I formally move Resolution No. 4.

Mr. Peat: I beg to second the resolution.

The President: I am sure no one will object to this one. I put that resolution. Those in favour? On the contrary? That is carried.

That concludes the business of the meeting. Thank you, ladies and gentlemen.

Mr. J. D. Russell, M.A., F.C.A. (London): Mr. President, before we disperse I have a very pleasant duty to perform. I wish to express the thanks of members here this afternoon for your very expert and kindly conduct of these meetings. First at the annual meeting and then at the special meeting, our deliberations were guided in a most exemplary way. It really is very enjoyable to take part in proceedings which are carried through in such a way.

Ladies and gentlemen, this is the only occasion in the year when we have the opportunity to thank our President for all he has done and is doing in the course of his year of office. Mr. Barrows has touched our professional life at many points. I have a special reason to remember him. It was when we were preparing for the Institute autumn meeting which we organised in October in London. We came to see a great deal of Mr. Barrows, and we found him a most enjoyable character with a fund of suggestions and information to make the party a success—it really was delightful, and when the great day came he and Mrs. Barrows were the accepted stars of the party at the Festival Hall reception. Mr. President, please accept our thanks for what you are doing for the profession and please thank Mrs. Barrows for her contribution.

The motion was carried by acclamation.

The President: Mr. Russell, I am very touched by what you have said and I know my wife will be delighted when I tell her the remarks that were made about her—she has been extraordinarily helpful to me all through—and thank you once again for the way you have received that resolution.

I think that does conclude the business of the meeting. I know Sir William Carrington, the President of the Benevolent Association, hopes that as many as possible will remain for the meeting of the Benevolent Association.

Effect of the Resolutions

The following changes in bye-laws were submitted as resolutions and adopted, subject to allowance by the Lords of Her Majesty's Most Honourable Privy Council:

(1) THAT bye-law 34 read:

34. Every person on being admitted to membership shall be entitled to a certificate to that effect under seal and every member on changing his class of membership shall be entitled to a certificate under seal stating his new class of membership and that bye-law 46 be deleted.

(2) THAT bye-law 39 be altered by deleting therefrom the words "an associate"

and substituting the words "to membership."

(3) THAT having regard to the provisions of clause 17 of the Scheme of Integration annexed to the supplemental Royal Charter and to the doubt which has arisen as to whether existing bye-law 42 of the Institute (as adopted on May 7, 1958) is wholly effective in so far as it does not provide that incorporated accountant members of the Institute should pay the same annual subscriptions as associates the said existing bye-law 42 be rescinded and replaced by a new bye-law 42. [This has the effect of increasing the subscriptions of incorporated accountant members F.S.A.A. and A.S.A.A. in England and Wales to the level of those paid by associates.]

(4) THAT the Council be authorised not to require payment by incorporated accountant members of the Institute of subscriptions for the year 1959 in excess of the rates applicable to such members as set out in bye-law 42 adopted at the special meeting on May 7, 1958.

Explanatory Notes

Resolution No. 1

The proposed replacement of bye-law 34 is intended primarily to dispense with the issue of certificates of practice. Upon commencing to practise a member is entitled under the present bye-law 34 to a certificate under seal and correspondingly bye-law 46 requires that every member in practice shall make application to the Council for a certificate of practice. Such a certificate is not an authority to practise; members do not require such authority. The certificate is not issued until a member has satisfied the Council that he is in practice and it states only that the member is registered as being in practice. The Council considers that the issue of such a certificate is unnecessary and that accordingly the not inconsiderable expense of printing individual certificates and sealing them is not justifiable. Moreover the Council feels that such certificates may be wrongly assumed to represent some form of official permit to practise. Resolution No. 1 therefore proposes a revised bye-law 34 which does not require the issue of a certificate of practice and the resolution also provides for the deletion of bye-law 46. The passing of the resolution will not affect the requirement of bye-law 35 whereby, *inter alia*, it is the duty of a member to notify the Secretary if he begins to practise and to supply the Council with such information relative to his practice as the Council may require. It is the intention of the Council that a member giving notice that he has commenced to practise shall do so on a form similar to that at present used for an application for a certificate of practice.

Resolution No. 2

Bye-law 39 provides that each person who is admitted an associate shall pay an

admission fee of ten guineas. In May 1958 the Council made a regulation under bye-law 120 requiring former Bye-law candidates and articled clerks of the Society to pay a similar sum on admission to membership as incorporated accountant members of the Institute. The proposed amendment to bye-law 39 merely embodies that requirement in the bye-law.

Resolution No. 3

Bye-law 42 adopted at the special meeting on May 7, 1958, was allowed by the Privy Council on July 2, 1958, and the revised scale of subscriptions for which it provided came into operation on January 1, 1959. The new bye-law did not increase the subscriptions payable by incorporated accountant members and this was explained at the special meeting by the then President, who said:

We are proposing an increase of only one guinea for fellows and associates not resident in England and Wales and no increase at all for any of the incorporated accountant members. There are special considerations which need to be taken into account for these members, of which perhaps the most important is that most of them are members of other accountancy bodies which bear more directly on their activities than does our Institute. In this country most of the incorporated accountant members are also members of the Institute of Municipal Treasurers and Accountants (local government being their special sphere of activity) while in many overseas countries it is either necessary or desirable to become a member of the appropriate overseas accountancy body.

The Council is however now advised that

in view of clause 17 of the scheme of integration the subscriptions of incorporated accountant members resident in England and Wales should be the same as those of associates. It is therefore necessary for the Council to propose Resolution No. 3 in order to correct the subscription scale in bye-law 42.

Resolution No. 4

The Council considers that notwithstanding the correction of the subscription scale proposed by Resolution No. 3 it will not be the wish of members that for 1959 incorporated accountant members should be required to pay subscriptions in excess of the rates applicable to them as set out in the existing bye-law 42. Accordingly Resolution No. 4 proposes that the Council be authorised not to require payment in excess of the existing rates for the year 1959.

Conditions of Fellowship

A SPECIAL MEETING of The Institute of Chartered Accountants in England and Wales is to be held at 2 p.m. on Tuesday, June 2, 1959, at the Hall of the Chartered Insurance Institute, 20 Aldermanbury, London, E.C.2, for the purpose of considering, if thought fit, passing a resolution for the variation of the supplemental Royal Charter and certain of the bye-laws.

The Council intends to call for a poll on the Resolution no matter what the result of the voting on a show of hands may be.

Clause 13 of the supplemental Royal Charter provides that "... a member shall not be entitled to be present at any meeting or to vote on any poll or postal ballot if he is in arrear for more than one month of any subscription or other sum payable by him under this Our Supplemental Charter or the bye-laws of the Institute."

The following statement of proposed resolutions and explanatory notes has been sent to all concerned.

Report of the Council to the 1958 annual meeting

1. The annual report for 1957 contained the following paragraphs:

"28. In the last report ... reference was made to the present distinction between associates and fellows (which has existed throughout the history of the Institute) and it was stated that the Council intended to submit a report and, if possible, pro-

posals to members at the earliest opportunity, probably at the annual meeting in 1958.

"29. Considerable thought has been devoted to this matter by the Council and the conclusion reached by the Council is that an associate should automatically become a fellow after the completion of five years' membership as an associate, but in order to avoid unnecessary administrative work the change to fellowship should take place on January 1 following the completion of the five years. Such a change in the Institute's constitution would involve amendments to the Royal Charters and the bye-laws. The Council considers that it would not be appropriate to submit resolutions for that purpose without giving members ample time in which to consider the proposal and therefore the present intention of the Council is to submit resolutions to the annual meeting in 1959.

"30. As part of the foregoing proposal it will be necessary to consider whether there should be a narrowing of the difference between the rates of subscriptions payable by fellows and those payable by associates and of the difference between the rates payable by practising members and those not in practice."

Consultation with district societies

2. During 1958 the Council consulted the

committees of the district societies with regard to the above proposals. In the light of the views which the committees expressed and in particular their preference for a ten-year period instead of a five-year period, the Council has formulated the proposals set out in the resolution now submitted.

The general effect of the resolution

3. The general effect of the resolution is as follows:

- (a) every associate will become a fellow without application on the first day of January next following the completion by him of ten years of membership of the Institute, membership of the Society of Incorporated Accountants counting for this purpose as membership of the Institute;
- (b) an associate in practice will remain entitled as at present to apply for fellowship under conditions similar to those which now obtain, namely after the completion of five years continuously in practice, except that practice must be the member's main occupation; an eligible associate who does not so apply will in due course become a fellow as indicated in (a);
- (c) the fellowship election fee will be abolished;
- (d) there will be consequential reductions in the scale of subscriptions payable by fellows;
- (e) the letters F.S.A.A. will be used by each incorporated accountant member without application on the first day of January next following the completion by him of ten years of membership of the Institute, membership of the Society

of Incorporated Accountants counting for this purpose as membership of the Institute. The present rights under the scheme of integration to the earlier use by members of those letters will be preserved.

4. These proposals differ from those quoted above from the annual report for 1957 in that:

- (a) a period of ten years of membership is substituted for five years, the present rights of those in practice to earlier fellowship being substantially preserved;
- (b) a corresponding change is being made in the use of the letters F.S.A.A.

Reasons for the proposed change

5. It is probable that when membership was first divided into associates and fellows in 1880 nobody contemplated the possibility that a very large number of members would be engaged whole-time in industry and commerce. It is unlikely that the distinction between associates and fellows was ever consciously intended to distinguish between practising and non-practising members. It is more likely that the purpose was to accord a higher status in the eyes of the public to members who had gained some additional experience in practice after qualification and to impose on the well-established member a greater share of the cost of conducting the Institute than was imposed upon those newly admitted to membership.

6. Whatever the original purpose of the distinction, it is clear that many members who are eligible for fellowship refrain from applying for it. At December 31, 1957, approximately one-half of the 3,000 associates in practice were in this position. The reasons for their failure to apply are not known but presumably they feel that their status as chartered accountants gives them what they need in the eyes of the public and that any improved status accruing from the designation "fellowship" is not worth the additional subscription which it involves.

7. Whether or not these motives are attributed correctly to those who are eligible but have not applied for fellowship, the failure of so many members to apply makes fellowship unreliable as a means of distinguishing between those members who do and those who do not possess more than five years' experience in practice. It has also imposed an undue share of the burden of financing the Institute upon those who have taken up their fellowship.

8. Representations have been made to the Council from time to time in recent years urging that non-practising members should be eligible for fellowship. The point has been made that the Royal Charter as amended in 1948 makes it clear that the function of the Institute is to serve "the accountancy profession as a whole" and not only "the profession of public accountants as a whole" referred to in the Charter of 1880. It has been claimed that members who go as accountants into industry or commerce should no longer be viewed as leaving the profession but rather as performing recognized functions of the profession in the

industrial or commercial sphere. The Council has demonstrated its approval of this view by its policy of bringing such members closely into the life and activities of the Institute.

9. There is evidence that some non-practising members feel that the present fellowship regulations are unfair to them but it is impossible to say how widely this view is held. It is also difficult to form an opinion as to the extent to which practising members would feel aggrieved if fellowship were to become available to members not in practice.

10. Before putting forward the present proposals, the Council and the committees of the district societies considered a number of alternatives. The most important of these, and the reasons for their rejection, are given below:

- (a) that fellowship should be extended to a limited number of non-practising members to be selected on merit. This was the original request by non-practising members. It was found impracticable to suggest any method of selection which would not be invidious;
- (b) that fellowship should be reserved as a kind of post-qualification diploma to be awarded as a result of a further examination or a thesis. The subject of post-qualification examination has been discussed on a number of occasions with representatives of district societies who have been almost unanimous in rejecting it. It was thought that a post-graduate diploma of this kind might detract from the value of the qualification "chartered accountant";
- (c) that fellowship should be made compulsory for practising members either immediately on entering practice or after five years, thereby bringing about a clearer distinction between practising and non-practising members. This would not be consistent with the view of the Council as set forth in paragraph 8 above. Alternatively, if fellowship were retained broadly on the present basis, it would be possible to tighten up the regulations by confining fellowship to those whose main occupation is public practice. It would also be possible to encourage those entitled to fellowship to take it up by progressively reducing the present margins between the rates of subscription for fellows and associates in practice. Neither of these alternatives would meet the representations which have been made to the Council by non-practising members;
- (d) that the associate class of membership should be discontinued. There is clearly something to be said for this view, but, on the other hand, there may be merit in retaining the distinction between associates and fellows in order to distinguish the recently-admitted members from those who are more experienced. The deciding factor in rejecting this alternative was, however, a legal one. If the Institute were to cease to use either the letters "A.C.A." or "F.C.A.", these

might become available to any other body which chose to adopt them. It was thought that this would be highly undesirable. The letters "C.A." are not available;

- (e) that fellowship should be extended to all members on an optional basis after five or ten years' membership, with a continued differential in the rates of subscription for fellows and associates. This proposal would be likely to lead to curious results. The least experienced members might take out their fellowship in order to obtain a higher status, particularly when they were seeking new employment. On the other hand, more experienced members in established appointments or in practice might prefer to remain associates at a lower rate of subscription. It is probable, therefore, that there would be offices in which partners were associates and some of their staff fellows and, in industry, heads of departments might be associates and some of their staff fellows. Thus the whole system would be brought into disrepute.

11. If a change is to be made the Council considers that the only practicable proposal is that now submitted to members.

12. The Council considers that it would be illogical to introduce the proposed extension of fellowship without at the same time introducing a corresponding extension in connection with the use of the letters F.S.A.A. by incorporated accountant members. Accordingly, the resolution provides that the letters F.S.A.A. will be used by incorporated accountant members after ten years of membership, but the present rights under the scheme of integration to the earlier use of those letters are preserved.

Consequential revision of subscriptions

13. A radical change in the provisions regarding fellowship of the nature referred to in paragraphs 1 to 11 above must inevitably involve adjustments in the scale of subscriptions in view of the fact that a large number of associates will become fellows and pay subscriptions at fellowship rates. The Council considers that the appropriate adjustment is to reduce the subscriptions payable by fellows and such reductions are the only changes now proposed. In all other respects the proposed new scale (intended to operate from January 1, 1960) is the same as that adopted by members on May 6, 1959, with which it is compared below. It is estimated that the total income from subscriptions at the rates proposed will remain at substantially the same level as at present, the lower rates for fellows being compensated by the larger number of fellows paying those rates.

14. The Council wishes to emphasise that no change is being made in bye-law 43 under which the Council has discretionary power to reduce the annual subscription to one guinea. The bye-law relates primarily to a member who is not less than sixty years of age and has been a member for not less than thirty years (including membership of the



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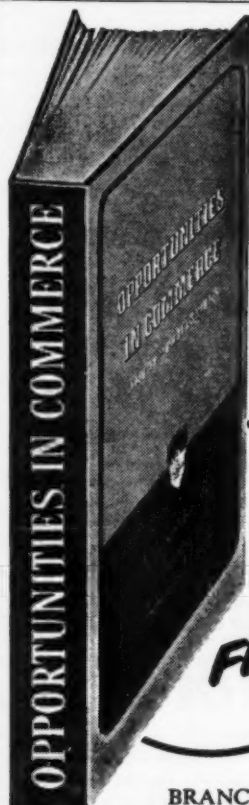
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Subscription category		Subscriptions in guineas	
		Rates now proposed	Rates adopted by members on May 6, 1959
<i>Members in practice within the Metropolis</i>			
A	Fellow	12	15
B	Associate	10	10
C	Incorporated accountant member F.S.A.A.	10	10
D	Incorporated accountant member A.S.A.A.	10	10
<i>Members in practice in England or Wales but not within the Metropolis</i>			
E	Fellow	10	12
F	Associate	8	8
G	Incorporated accountant member F.S.A.A.	8	8
H	Incorporated accountant member A.S.A.A.	8	8
<i>Members residing in but not practising in England or Wales</i>			
J	Fellow	6	7
K	Associate	5	5
L	Incorporated accountant member F.S.A.A.	5	5
M	Incorporated accountant member A.S.A.A.	5	5
<i>Members not residing in England or Wales</i>			
N	Fellow	4	5
P	Associate	3	3
Q	Incorporated accountant member F.S.A.A.	2	2
R	Incorporated accountant member A.S.A.A.	1	1

Society) and has retired from practice and other business activities. The Council has however special further discretion to allow the reduction even though those conditions are not satisfied, and it is the practice of the Council to exercise this special discretion in favour of ministers of religion, married women who are not engaged in any business activities or employment and (for a maximum of two years) members engaged on compulsory full-time national service. In appropriate circumstances the discretion is also exercised where business activities have ceased as a result of serious illness.

Poll of members

15. The Council considers that the only satisfactory way to decide this matter is to give all members an opportunity to vote on it. The Council therefore intends to call for a poll on the resolution no matter what the result of the voting on a show of hands may be. The resolution involves alterations to the supplemental Royal Charter: to become effective, therefore, it must be passed by a majority of not less than two-thirds of the members who vote on it and must later be confirmed by a simple majority of members voting thereon at a further meeting.

Meetings of the Council

AT SPECIAL AND ordinary meetings of the Council held on Wednesday, May 6, at the Hall of the Institute, Moorgate Place, London, E.C.2, there were present: Mr. W. L. Barrows, President, in the Chair; Mr. C. U. Peat, M.C., Vice-President; Mr. J. Ainsworth, M.B.E.; Mr. E. Baldry, O.B.E.; Mr. C. Percy Barrowcliff; Mr. T. A. Hamilton Baynes; Mr. J. H. Bell; Mr. H. A. Benson, C.B.E.; Mr. P. F. Carpenter; Sir William Carrington; Mr. G. T. E. Chamberlain; Mr. D. A. Clarke; Mr. J. Clayton; Mr. C. Croxton-Smith; Mr. W. G. Densem; Mr. S. Dixon; Mr. W. W. Fea; Mr. G. G. G. Gault; Mr. P. F. Granger; Mr. L. C. Hawkins; Mr. J. S. Heaton; Mr. D. V. House; Sir Harold Howitt, G.B.E., D.S.O., M.C.; Mr. P. D. Irons; Mr. J. A. Jackson; Mr. H. O. Johnson; Mr. W. H. Lawson, C.B.E.; Mr. H. L. Layton; Mr. R. B. Leech, M.B.E.; Mr. R. McNeil; Mr. J. H. Mann, M.B.E.; Mr. R. P. Matthews; Mr. W. E. Parker, C.B.E.; Mr. S. J. Pears; Mr. F. E. Price; Mr. P. V. Roberts; Mr. L. W. Robson; Sir Thomas Robson, M.B.E.; Mr. G. F. Saunders; Mr. K. G. Shuttleworth; Mr. C. M. Strachan, O.B.E.; Mr. J. E. Talbot; Mr. E. D. Taylor; Mr. A. D. Walker; Mr. A. H. Walton; Mr. V. Walton; Mr. E. F. G. Whinney; Mr. J. C. Montgomery Williams; Mr. R. P. Winter,

C.B.E., M.C.; Mr. E. K. Wright; Sir Richard Yeabsley, C.B.E., with the Secretary and Assistant Secretaries.

Exemption from the Preliminary Examination

Three applications under bye-law 79 for exemption from the Preliminary Examination were acceded to.

Exemption from the Intermediate Examination

Three applications under bye-law 85 (a) for exemption from the Intermediate Examination were acceded to.

One application under bye-law 85 (b) for exemption from the Intermediate Examination was refused.

Reduction in Period of Service under Articles

Three applications under bye-law 61 for a reduction in the period of service under articles were acceded to and one application was refused.

Registration of Articles

The Secretary reported the registration of 130 articles of clerkship during the last month, the total number since January 1, 1959, being 728.

Admissions to Membership

The following were admitted to membership of the Institute:

§BAINES, VIVIAN MUSPRATT; A.S.A.A., 1959; 352 Main Street, Waterkloof, Pretoria, S. Africa.

EBRAHIM, SHERALI; A.C.A., 1959; 142 Albert Road, Blackpool.

GALE, DAVID EDWARD; A.C.A., 1959; 42 Digby Avenue, Mapperley, Nottingham.

HARRIS, DEREK; A.C.A., 1959; 189 Stroud Road, Gloucester.

JONES, CHARLES GEORGE; A.C.A., 1959; 41 The Ridgeway, Kenton, Harrow, Middlesex.

MANN, JOHN MICHAEL; A.C.A., 1959; "Terregles," Thicket Corner, Maidenhead, Berkshire.

NEWMAN, BRYAN ALFRED; A.C.A., 1959; 29 Essex Gardens, Hornchurch, Essex.

SALISBURY, RAYMOND RALPH; A.C.A., 1959; 8 Seymour Avenue, East Ewell, Surrey.

TOWELL, ROBERT JOHN; A.C.A., 1959; "Rowan-hurst," Mayfield Road, Weybridge, Surrey.

Elections to Fellowship

The following were elected to fellowship:

BELL, CHARLES GORDON; A.C.A., 1939; (†Whinney, Murray & Co.), Beydoun Building, Rue Bezerkan (P.O. Box 1639), Beirut, Lebanon, and at Aden, Baghdad, Bahrain, Basrah, Kuwait.

BOND, VICTOR CECIL; A.C.A., 1925; (V. C. Bond & Co.), 68 Edleston Road, Crewe.

BOOTH, COLIN RILEY; A.C.A., 1949; (Rawlin-

- son, Greaves & Mitchell); Netherwood Chambers, 1A Manor Row, Bradford, 1.
- BRIEGAL, LEONARD ISAAC; A.C.A., 1958; (S. 1950); (*Mark Banus & Co.), 4 Broad Street Place, London, E.C.2.
- BROWN, ARTHUR; A.C.A., 1953; (Percy F. Ward & Co.), 26 Eslington Terrace, Newcastle upon Tyne, 2.
- CARRICK, GEOFFREY MICHAEL; A.C.A., 1953; (Gardner, Thompson, Carrick & Whitehead), 10 Eldon Square, and Martins Bank Chambers, 123/125 Clayton Street, Newcastle upon Tyne, 1.
- CLAYTON, DAVID; A.C.A., 1951; (David Clayton & Co.), 18 St. George Street, Hanover Square, London, W.1.
- COATSWORTH, THOMAS PETER; A.C.A., 1947; (Davie, Parsons & Co.), 6 Bishopsgate, London, E.C.2.
- COBB, STANLEY JOHN; A.C.A., 1926; (R. McKerrow & Co.), Gough House, Eden Street, Kingston upon Thames.
- COLLINS, ROBERT WILLIAM; A.C.A., 1939; (Percy F. Ward & Co.), 26 Eslington Terrace, Newcastle upon Tyne, 2.
- COX, EDWARD DENYER; A.C.A., 1951; (Sharp, Parsons & Co.), 120 Colmore Row, Birmingham, 3, and at London.
- DAVIES, DAVID HYWEL; A.C.A., 1958; (S. 1947); (Wynn Llewelyn, Davies & Co.), Bank House, St. James's Street, Narberth, Pembrokeshire, and at Whitland, Carmarthenshire.
- ENGLISH, GEOFFREY; A.C.A., 1958; (S. 1951); (Charles E. Dolby & Son), 11 Dale Street, Liverpool, 2.
- ENTWISTLE, TREVOR EGERTON, V.R.D.; A.C.A., 1948; (†Chalmers, Wade & Co.) and (*Kent, Brierley & Fisher), 5 Fenwick Street, Liverpool, 2; (for other towns see *Chalmers, Wade & Co., †Chalmers, Wade, Voisey & Co., and *Kent, Brierley & Fisher).
- GENTLE, GORDON HEDLEY; A.C.A., 1952; (*Longstaff, Gentle & Co.), 61 Harpur Street, Bedford.
- GRIMSHAW, LIONEL EDWARD; A.C.A., 1958; (S. 1948); (John M. Winter & Sons), 149A and 150A Central Road, Worcester Park, Surrey, and at London.
- GRINDEY, DONALD HAMBLETON; A.C.A., 1949; (*Mason, Parker & Grindey), 31 High Street, Rayleigh, Essex.
- HEYWOOD, PHILIP EDMUNDSON; A.C.A., 1948; (†Hill, Vellacott & Co.), Law Courts Chambers, 33 & 34 Chancery Lane, London, W.C.2, and at Cambridge and Deal; also at Belfast and Downpatrick (†Hill, Vellacott & Bailey).
- HILLYER, JOHN SELBY, M.A.; A.C.A., 1954; (†Hill, Vellacott & Co.), Law Courts Chambers, 33 & 34 Chancery Lane, London, W.C.2, and at Cambridge and Deal; also at Belfast and Downpatrick (†Hill, Vellacott & Bailey).
- HIRST, ALFRED GEOFFREY; A.C.A., 1949; (Charles E. Dolby & Son), 11 Dale Street, Liverpool, 2.
- HOBBS, EDWARD CULLEN; A.C.A., 1929; (Hobbs, Jackson & Ward), 31 Market Square, Retford, Notts., and at Newark; also at Sheffield (*Hobbs, Lockwood & Jackson).
- HODGE, DENNIS ARNOLD SIDNEY; A.C.A., 1958; (S. 1950); (*Lanham & Francis), Newbury, Gillingham, Dorset.
- HUDSON, HALLAM; A.C.A., 1931; (Percy & Gittins), Priory Street, Dudley, Worcs.
- HUGHES, CYRIL FRED; A.C.A., 1951; (Walter J. Edwards & Co.), Lloyds Bank Chambers, Park Street, Walsall, and at Cheltenham.
- JACKSON, HERBERT CYRIL, M.B.E.; A.C.A., 1950; (Hobbs, Jackson & Ward), 31 Market Square, Retford, Notts., and at Newark; also at Sheffield (*Hobbs, Lockwood & Jackson).
- JACOBS, DONALD; A.C.A., 1958; (S. 1953); (*Green, Lewis, Jacobs & Co.), 89/91 Newman Street, Oxford Street, London, W.1.
- JOSE, BERNARD GORDON; A.C.A., 1951; (Wilkinson, Chater, Kinney & Co.), 17 Ship Street, Brighton, 1; also at London (Wilkinson, Chater & Co.).
- LEWIN, CHARLES VICTOR; A.C.A., 1950; (Gilbey, Lewin & Co.), Chatfield House, 1 Chatfield Road, London, S.W.11.
- LITTLESTONE, NEVILLE; A.C.A., 1958; (S. 1953); (D. N. Curitz, Littlestone & Co.), 15 Dumfries Place, Cardiff.
- MURPHY, TERENCE EDWIN DANIEL; A.C.A., 1958; (S. 1952); (*Vernon, Murphy & Co.), 28 Sackville Street, London, W.1.
- NAYDLER, PHILIP; A.C.A., 1950; (Beavis, Walker & Co.), 53 New Broad Street, London, E.C.2.
- OXLEY, KENNETH WILFRID; A.C.A., 1950; (Boyce, Welch & Co.), 3 Piccadilly, Bradford, 1, and at London.
- PRINCE, MICHAEL JOHN; A.C.A., 1953; (Prince, Croft & Ball), 14 Christchurch Road, The Lansdowne, Bournemouth.
- RAE SMITH, DAVID DOUGLAS, M.C., B.A.; A.C.A., 1950; (†Deloitte, Plender, Griffiths & Co.), 5 London Wall Buildings, Finsbury Circus, London, E.C.2; (for other towns see †Deloitte, Plender, Griffiths & Co., *Deloitte, Plender, Griffiths & Co., and *Deloitte, Plender, Haskins & Sells).
- SKINNER, FRANK ALBERT HENRY; A.C.A., 1950; (†Fitzpatrick, Graham & Co.), 95A Chancery Lane, London, W.C.2, and at Chapel-en-le-Frith, and at Macclesfield and Manchester.
- SMITH, MARTIN HAMMOND CABOURN; A.C.A., 1948; (Cash, Stone & Co.), 48 Copthall Avenue, London, E.C.2, and at Portsmouth and Southampton.
- SUTHERLAND, BRUCE WILSON; A.C.A., 1951; (Foster & Stephens), 40 Hagley Road, Edgbaston, Birmingham, 16.
- THOMAS, WILFRED JAMES; A.C.A., 1958; (S. 1943); (Highfield, Prichard & Mumby), The Corn Exchange, Fenwick Street, Liverpool, 2, and at Bangor.
- THORNLEY, JOHN DEAKIN, B.A.; A.C.A., 1931; (Astbury, Mitcheson & Miller) and (Litton, Pownall, Blakey & Higson), 42 Spring Gardens, Manchester, 2.
- WARD, WILLIAM ROBERT; A.C.A., 1958; (S. 1950); (Allnutt, Bradfield & Co.), 3 & 4 Clement's Inn, London, W.C.2.
- WHITE, WILLIAM ALFRED; A.C.A., 1951; (Tubbs, Clarke & Co.), 1A Broadway Chambers, 1281 High Road, Whetstone, London, N.20.
- (S. 1956); (H. C. Hopkin & Co.), 8 Park Place, Cardiff.
- BRESE, ROGER HENRY GEORGE; A.C.A., 1958; (S. 1949); 36 Commercial Street, Pontnewydd, Cwmbran, Mon.
- BENTLEY, ARTHUR; A.C.A., 1957; 8 St. Marks Avenue, Low Moor, Bradford.
- BESWETHERICK, NIGEL PHILLIPS; A.C.A., 1952; (W. H. Grigg & Perkins), (Cozens, Bate & Co.), (Storey, Hill & Co.) and (Denning & Co.), 8/16 Park Street, Bristol, 1.
- BISPHAM, GEOFFREY; A.C.A., 1955; (Jno. Brierley & Son), 6 Ascroft Street, Oldham.
- BLAKE, ROBERT NORMAN; A.C.A., 1958; (S. 1939); (Baber, Owen & Co.), Refuge Assurance Buildings, 18 Baldwin Street, Bristol, 1.
- BLOUNT, ALEXANDER DOUGLAS; A.C.A., 1948; (Hopps & Bankart), 25 Friar Lane, Leicester, and at Loughborough.
- BOND, JOHN MICHAEL; A.C.A., 1955; (V. C. Bond & Co.), 68 Edleston Road, Crewe.
- BOWDEN, KENNETH GORDON; A.C.A., 1959; 11 Alexandra Terrace, South Molton, North Devon.
- BROWN, PETER GEOFFREY; A.C.A., 1958; (S. 1956); (Godfrey, Laws & Co.), 10 Cardiff Road, Luton.
- BRYANT, DAVID; A.C.A., 1955; (*Walter Bell & Co.), 17 Paradise Square, Sheffield, 1.
- CAHILL, BRIAN RAWLINGS; A.C.A., 1949; (†Peat, Marwick, Mitchell & Co.), 2 Park Place, Leeds, 1, and at Bradford, Cleckheaton, Harrogate and York.
- CATO, GEORGE; A.C.A., 1959; (Bolton, Pitt & Breden), Palmerston House, 51 Bishopsgate, London, E.C.2.
- CHANTLER, FREDERICK ROY; A.C.A., 1948; (F. Roy Chantler & Co.), 40 Brazennose Street, Manchester, 2.
- COBB, JOHN STEWART; A.C.A., 1957; (R. McKerrow & Co.), Gough House, Eden Street, Kingston upon Thames.
- DAVIES, GARETH; A.C.A., 1958; (S. 1956); 1 Calthorpe Road, Walsall.
- DAVIES, WINSTON CHARLES; A.C.A., 1958; (S. 1957); (Richard Davies & Co.), 10 St. Andrew's Crescent, Cardiff.
- DYSON, MICHAEL FREDERICK; A.C.A., 1954; (Fred Sheard & Sons), 5/6 Kirkgate Buildings, Huddersfield.
- EMMITT, RAYMOND LINSKILL; A.C.A., 1958; (S. 1956); (Cooper Brothers & Co.), and (Coopers & Lybrand), 348 Glossop Road, Sheffield, 10, and at Birmingham, Leicester, Liverpool, London and Manchester.
- FAY, THOMAS EDWARD; A.C.A., 1945; (Lionel H. Lemon & Co.), 10 Coleman Street, London, E.C.2.
- FEIGER, MALCOLM MYER; A.C.A., 1958; 37 Leaside Avenue, Muswell Hill, London, N.10.
- FOOKS, JOHN ANTHONY, M.A.; A.C.A., 1959; (J. Fooks & Sons), 3 Park Place, Cardiff.
- FOREMAN, PETER; A.C.A., 1959; 36 King Street, Whalley, near Blackburn.
- FOULDS, MICHAEL ARTHUR; A.C.A., 1956; (*Frank Banks & Foulds), Dunelm Chambers, 5A Bluecoat Street, Nottingham.
- GOULD, ALAN; A.C.A., 1959; 19 Charing Cross Road, London, W.C.2, and at Nottingham.
- GREEN, ANTHONY EDMUND; A.C.A., 1957; (Evans Smith, Boothroyd & Co.), and (Meredith & Co.), 99 Fenchurch Street, London, E.C.3, and at Dover.
- GUNN, EDWARD ROY; A.C.A., 1933; (Lionel H. Lemon & Co.), 10 Coleman Street, London, E.C.2.
- HALL, JOHN MICHAEL; A.C.A., 1959; (Ernest Hall & Co.), Curtis House, 12 Poplar Road, Solihull, Warwickshire.

Use of letters F.S.A.A.

An application from the following incorporated accountant member A.S.A.A. to use the letters F.S.A.A. under clause 4 (b) of the scheme of integration referred to in clause 34 of the Supplemental Charter was acceded to:

BALL, ALBERT EDWARD; (1958); A.S.A.A., 1934; Borough Treasurer, Finsbury Town Hall, Rosebery Avenue, London, E.C.1.

Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

ALLISON, HAROLD, B.A.; A.C.A., 1954; (Creer, Etty, Rank & Co.), 8 Coppergate, York.

BARTLEY, JOSEPH HAYDN; A.C.A., 1958;



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- HAYWOOD, PETER ROBERT; A.C.A., 1957; 60 Knowle Lane, Sheffield, 11.
- HELLER, SIDNEY IVOR; A.C.A., 1958; (S. 1953); (J. Sloan & Co.), 67 Lord Street, Liverpool, 2.
- HILL, GEOFFREY VERNON; A.C.A., 1952; (C. E. Free & Co.), 10a Stonegate, York.
- HOBBS, JOHN PETER; A.C.A., 1956; (Hobbs, Jackson & Ward), 31 Market Square, Retford, and at Newark.
- HOLROYD, GEOFFREY; A.C.A., 1953; (†Wheawill & Sudworth), 4 New Burlington Street, London, W.1; also at 1 Leadenhall Street, London, E.C.3, (†James Meston & Co.).
- JANES, ALAN FRED; A.C.A., 1956; (E. J. Barnes & A. F. Janes), The White House, 38 Grosvenor Road, Donnington, Chichester, Sussex.
- JOSEPH, NEVILLE ANTHONY; A.C.A., 1959; 24 Beresford Avenue, Twickenham, Middlesex.
- KENDALL, DONALD; A.C.A., 1957; (Hopps & Bankart), 25 Friar Lane, Leicester, and at Loughborough.
- KILGOUR, WILLIAM NEIL; A.C.A., 1958; (S. 1950); (E. J. Williams & Co.), 10 Victoria Place, Carlisle.
- KNOWLES, JOHN; A.C.A., 1958; (S. 1937); 108 Oakfield Road, Selly Park, Birmingham, 29.
- KOSKY, ANTHONY HYMAN; A.C.A., 1958; (S. 1956); (Anthony H. Kosky & Co.), Clarence Chambers, 108 Tavistock Road, Plymouth.
- LANGRIDGE, ARTHUR JOHN; A.C.A., 1958; (S. 1955); 188 Stafford Road, Caterham, Surrey.
- LEDGER, JOHN EDWARD; A.C.A., 1958; (S. 1934); 57 Goldington Road, Bedford.
- LEE, PETER; A.C.A., 1958; (S. 1955); (Johnson, Murkett & Hurst), Rawdon House, Rawdon Terrace, Ashby-de-la-Zouch, and at Burton-on-Trent and Leicester.
- LEIGHTON, HENRY GERARD MATHER, M.A.; A.C.A., 1957; (Grace, Darbyshire & Todd), 19 Whiteladies Road, Bristol, 8.
- LEWIS, ERIC KEITH; A.C.A., 1955; 16 Daryngton Drive, Perivale Park, Greenford, Middlesex.
- LILLFORD, JACK; A.C.A., 1958; (J. Lillford & Co.), 49c Market Place, Doncaster.
- LITTON, EDWARD GEORGE; A.C.A., 1952; (*Litton & Cahalane), 128 Suttons Avenue, Hornchurch, Essex, and at Grays.
- MADDOCKS, THOMAS, M.C.; A.C.A., 1959; (Fieldings), 28 Victoria Street, Paignton, and at Brixham and Torquay.
- MIDGLEY, ROY EDWARD; A.C.A., 1958; (S. 1956); (Guy & Midgley), Savings Bank Chambers, Cheapside, Wakefield.
- MORGAN, DOUGLAS JAMES WILLIAM; A.C.A., 1952; (Winder & Lloyd), 109 Gloucester Place, London, W.1, and at Liverpool.
- MORRIS, THOMAS BRIAN; A.C.A., 1958; (S. 1956); (T. R. Morris & Co.), 6 Park Place, Cardiff.
- NELSON, ARTHUR HUGH; A.C.A., 1958; (Nelson & Co.), Graiseley Chambers, 39 Penn Road, Wolverhampton.
- O'NEILL, THOMAS ROY DOYLE; A.C.A., 1953; (Taylor, Patchett & Co.), 40 Bigby Street, Brigg, and at Scunthorpe.
- PAIN, CHARLES ANDREW STEPHEN; A.C.A., 1952; (Josolyne Miles & Co.), 28 King Street, Cheapside, London, E.C.2, and at Manchester and Paris.
- PARRY, OWEN ANDERSON, B.A.; A.C.A., 1955; (Ashmole, Edwards & Goskar), Cornhill Chambers, Christina Street, Swansea, and at Ammanford, Carmarthen and Haverfordwest.
- PAUL, JOHN MURRAY GUY; A.C.A., 1952; (R. J. Jeffreys), 22 Billiter Street, London, E.C.3.
- PEEL, RONALD; A.C.A., 1958; (S. 1951); (Lawrence, Gardner & Co.), 5 Unity Street, Bristol, 1.
- PEPPER, FRANK; A.C.A., 1958; (S. 1953); (Brown, Peet & Tilly), and (Chas. De Vere Thorneloe & Co.), Bank Buildings, 1 High Street, Croydon, Surrey.
- PHILLIPSON, JOHN JAMES; A.C.A., 1952; (Neylan & Co.), 1 Hawks Lane, St. Margarets Street, Canterbury.
- POWER, EDWIN BARRY; A.C.A., 1949; (Hardeman Smith & Power), 96 Hagley Road, Edgbaston, Birmingham, 16.
- PREEDY, TIMOTHY GEORGE; A.C.A., 1959; (Whitmarsh, Edgcombe & Co.), 70 Mutley Plain, Plymouth.
- RADFORD, ROY; A.C.A., 1958; (S. 1939); (Thomas May & Co.), Allen House, Newarke Street, Leicester.
- RIDGWAY, MALCOLM WALTER; A.C.A., 1959; (*Walter Ridgway & Son), 83 Bridge Street, Deansgate, Manchester, 3, and at Urmston.
- ROBLIN, LYNN FRANCIS, B.A.; A.C.A., 1956; (*Jones, Roblin & Co.), 29 Splott Road, Cardiff.
- ROSSER, JOHN; A.C.A., 1957; (Burston & Co.), North Street, Langport, Somerset.
- ROSSER, JOHN AUSTIN; A.C.A., 1958; (S. 1955); (*Davey, Bridgwater & Co.), Ethelburga House, 91/93 Bishopsgate, London, E.C.2.
- §RUSSELL, EDGAR JOHN; (1958); A.S.A.A., 1923; 11 Farnham Avenue, Hassocks, Sussex.
- RUTLAND, PETER COURTENAY; A.C.A., 1958; (Brown, Peet & Tilly) and (Chas. De Vere Thorneloe & Co.), Bank Buildings, 1 High Street, Croydon, Surrey.
- SHEARD, FREDERICK JOHN; A.C.A., 1958; (S. 1956); (Fred Sheard & Sons), 5/6 Kirkgate Buildings, Huddersfield.
- SHIELD, SYDNEY; A.C.A., 1929; 16 Milsom Street, Bath.
- SMITH, REGINALD TREVOR; A.C.A., 1954; (Creer, Eddy, Rank & Co.), 8 Coppergate, York.
- STANTON, FRANCIS; A.C.A., 1958; (S. 1954); (Hampson & Stanton), 5 Starkie Street, Preston.
- TANSLEY, THOMAS ANTHONY; A.C.A., 1954; (Cooper Brothers & Co.) and (Coopers & Lybrand), 14 George Street, Mansion House, London, E.C.4.
- THOMPSON, ROY JOHN DESMOND; A.C.A., 1958; (S. 1950); (Keens, Shay, Keens & Co.), 1A Mill Lane, Stony Stratford, Bucks, and at Bedford, Hitchin, Leighton Buzzard, London, Luton, and Newport Pagnell.
- UDALL, WILLIAM HORACE TREVOR; A.C.A., 1958; 2 Longfleet Road, Poole.
- VEASEY, ALLAN ARTHUR; A.C.A., 1958; (S. 1949); (Thomas May & Co.), Allen House, Newarke Street, Leicester.
- WATTS, AUGUSTINE FRANCIS PATMORE; A.C.A., 1953; (Neylan & Co.), 1 Hawks Lane, St. Margaret's Street, Canterbury.
- WHITE, GEORGE WILLIAM CHARLES; A.C.A., 1954; (Chas. W. Rooke, Lane & Co.), 2 Norfolk Street, Strand, London, W.C.2, and 681 Salisbury House, London, E.C.2.
- WILKINSON, STANLEY; A.C.A., 1958; (S. 1951); (F. C. & J. S. Darwell), 14 Edward Street, and Globe Chambers, Cedar Square, Blackpool.
- WILLETT, CHARLES GRAHAM; A.C.A., 1957; (Howard Smith, Thompson & Co.), Gresham House, 24 Old Broad Street, London, E.C.2, and at Birmingham.
- WILLIAMS, ROGER WILLMOT; A.C.A., 1955; (Carpenter, Box & Co.), Liverpool Chambers, and 18 Liverpool Gardens, Worthing, and at Lancing.
- WRIGHT, (Mrs.) ELIZABETH MARGARET; A.C.A., 1939; (Bullimore, Wright & Co.), 3 Throgmorton Avenue, London, E.C.2.

Admission to Membership under the Scheme of Integration

The Council acceded to applications from two members of the Society of Incorporated Accountants for admission to membership of the Institute pursuant to the scheme of integration referred to in clause 34 of the supplemental Charter. The names of these two members are included in the following list of members admitted under the scheme since December 31, 1958:

- ¶ALLEN, EDGAR OSWALD; A.C.A., 1959; (S. 1932); Market Sq., Wellingborough, Northants.
- ¶BEECH, FENTON ELLIOTT; A.C.A., 1959; (S. 1920); 10 Figtree Lane, Sheffield, 1.
- §DALAL, AJIT KUMAR; (1959); A.S.A.A., 1955; Site Accountant, Metropolitan-Vickers Electrical Co., Ltd., Durgapur Steel Project P.O., District Burdwan, West Bengal, India.
- §DESAI, DINUPRASAD KRISHNALAL; (1959); A.S.A.A., 1950; 4-Clive Row, Calcutta.
- FIELD, ISRAEL ZELIG; F.C.A., 1959; (S. 1934, f. 1946); 159 Ansom Road, London, N.W.2.
- GILBERT, RALPH; A.C.A., 1959; (S. 1920); 19 The Quadrant, Totley, Sheffield.
- §GUPTA, AMALENDU; (1959); A.S.A.A., 1957; Assistant Accountant, The Assam Co., Ltd., Nazira, Assam, India.
- §HINCHLIFFE, ARTHUR; (1959); A.S.A.A., 1924; 193 Wakefield Road, Garforth, near Leeds.
- §LEVINSON, LOUIS; (1959); A.S.A.A., 1953; P.O. Box 659, Salisbury, S. Rhodesia.
- §MALOOR, RAMA KRISHNA; (1959); A.S.A.A., 1934; 164 'Viswabharathi,' Sion East, Bombay, 22, India.
- PEPPERELL, ROY WILLIAM; A.C.A., 1959 (S. 1951); c/o Vale de Tibagi Industria E Comercio S.A., Avenida Presidente Vargas 642, Sala 1107, Distrito Federal, Estado do Rio, Brazil.
- §REILLY, JOHN ARNOLD; (1959); A.S.A.A., 1933; c/o James Mackie & Sons Ltd., P.O. Box 149, Albert Foundry, Belfast.
- SAMUELS, COLIN ARTHUR, A.C.A., 1959; (S. 1927); St. James' House, Kensington Sq., London, W.8.
- ¶§SASTRI, CHAVALI SUBRAHMANYA; (1959); F.S.A.A., 1934; A.S.A.A., 1930; (Sastri-Shah), 15 Armenian St., Madras-1, India, and at Hyderabad.
- SCOPES, ERIC ALFRED; A.C.A., 1959, (S. 1932); 'Quantock,' Blackhall Lane, Sevenoaks, Kent.

The following are former members of the Society of Incorporated Accountants who have been admitted to membership of the Institute since December 31, 1958, under

§ Means "incorporated accountant member."

¶ Means "member in practice"

Firms not marked † or * are composed wholly of members of the Institute.

† Against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

* Against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

clause 5 of the scheme of integration referred to in clause 34 of the supplemental Royal Charter:

- BOSE, SATYA PREO, B.Sc.; A.C.A., 1959; (S. 1941); Senior Executive (Accountant), Macneill & Barry, Ltd., 2 Fairlie Place, Calcutta, 1.
 COXON, WILLIAM CYRIL; F.C.A., 1959; (S. 1925; f. 1932); "Gorselands", Abersoch, near Pwllheli, Caernarvonshire.
 GIBSON, HAROLD; A.C.A., 1959; (S. 1917); 10 Lion's Head Mansions, Victoria Road, Bantry Bay, Cape Town, S. Africa.
 SONI, KISHEN PRASADA; F.C.A., 1959; (S. 1926; f. 1943); (Soni, Chatrath & Co.), 15 Asaf Ali Road, New Delhi, India.

Resignations

The Council accepted the resignations from membership of the Institute of:

- RAMSDEN, EDWARD FEILDEN; A.C.A., 1916; 11 Pierpoint Road, Acton, London, W.3.
 THOMAS, ARTHUR ROY; A.C.A., 1915; Scio House Hospital for Officers, Scio House, Portsmouth Road, Putney Heath, London, S.W.15.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

- AKERS, CLIFFORD ROXB, F.C.A., London.
 BAILEY, THOMAS RUSHFORTH, A.C.A., Bradford.
 BARNETT, BERNARD, F.C.A., Mansfield.
 BENNETT, JOSEPH, A.S.A.A., Blackburn.
 BIGGS, GEORGE HENSON, F.C.A., Birmingham.
 BOTTOMLEY, HARRY, A.C.A., Bradford.
 CARLISLE, CHARLES FREDERICK, B.E.M., F.C.A., Nottingham.
 CHAMBERLAIN, RONALD, A.C.A., Aylesbury.
 CLARK, HARRY EDGAR, F.C.A., Tadworth.
 CLARKE, JOHN WILLIAM, A.C.A., Harrisonburg, Virginia.
 FERGUSON, COLIN ALEXANDER, A.C.A., Liverpool.
 FLETCHER, ANTHONY MICHAEL, D.F.C., F.C.A., Salisbury, S. Rhodesia.
 JOHN, REX TREHARNE, A.C.A., Plymouth.
 LOUGH, ALFRED ARTHUR, F.C.A., London.
 MCKERROW, ERIC ATHYA, A.C.A., Crawley.
 OAKLEY, ARTHUR GERALD TATTON, F.C.A., London.
 PAUL, ROBERT CHARLES, A.S.A.A., Newcastle upon Tyne.
 REDFERN, HAROLD JOHN, F.C.A., Coventry.
 ROSS, HARRY THOMAS, F.C.A., London.
 SHIPPEY, SYDNEY, A.C.A., Middlesbrough.
 SHORES, WILLIAM WAITE, A.C.A., Grimsby.
 STOTT, HERWARD, F.C.A., Rhosneigr, Anglesey.
 TERRY, ALBERT RICHARD, A.C.A., Auckland.
 WHEELER, JOHN OGLE, A.C.A., Boreham Wood.
 WILKINSON, ROY, F.C.A., Sunderland.
 WILSON, GEORGE FREDERICK, A.C.A., London.

Associates Elected Fellows

WE ARE INFORMED by the Secretary of the Institute that the list published in our April issue should have shown Mr. G. A. Scutt, a partner in the firm of Messrs. Lodge & Winter, as practising in Truro, Falmouth and Newquay and not Truro, Falmouth and Torquay.

Findings and Decisions of the Disciplinary Committee

Findings and Decisions of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 103 of the bye-laws appended to the supplemental Royal Charter of December 21, 1948, at hearings held on April 7 and 8, 1959.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that a Fellow of the Institute had been guilty of acts or defaults discreditable to a member within the meaning of Clause 21, sub-clause (3) of the supplemental Royal Charter in that being the receiver and manager appointed under a debenture of a limited company (in liquidation) he neglected to deal with reasonable expedition with three letters addressed to him by the Official Receiver (as liquidator of the company) and subsequent reminders, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint had not been proved in respect of one letter but had been proved in respect of the other two letters. The Committee decided that the member be reprimanded and considered that there existed special circumstances justifying the omission of his name from the publication of the Finding and Decision.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that George Percie Euler, A.C.A. (a) was on October 31, 1958, at Bow Street Magistrates' Court convicted of a charge that, being the receiver of the whole or substantially the whole of the property of a limited company and appointed on behalf of the holder of a debenture secured by a floating charge, he failed to send to the Registrar of Companies an abstract in the prescribed form showing receipts and payments during the period of twelve months ended March 30, 1958, contrary to Section 372 of the Companies Act, 1948; (b) had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of Clause 21, sub-clause (3) of the supplemental Royal Charter in that he failed to reply to two letters addressed to him by the Secretary of the Institute, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against George Percie Euler, A.C.A., had been proved under both headings and the Committee ordered that George Percie Euler, A.C.A., of The Chalet, Clifton Lane, Ruddington, Notts., be reprimanded.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Tom Hilton Fish, A.C.A., had been guilty of acts discreditable to a member of the Institute within the meaning of Clause 21, sub-clause (3) of the supple-

mental Royal Charter in that (1) during the month of October, 1958, he called on a certain company for the purpose of soliciting business and (2) he offered to act as auditor of that company for a fee which he knew to be less than the fee charged by the company's existing auditors, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against Tom Hilton Fish, A.C.A., had been proved and the Committee ordered that Tom Hilton Fish, A.C.A., of 100 Queen Street, Newton Abbot, Devon, be reprimanded.

Taxation and Research Committee

THE ONE-HUNDRED-AND-SECOND MEETING of the Taxation and Research Committee was held at the Institute on April 16.

Present: Mr. E. N. Macdonald, D.F.C. (in the chair); Mr. C. W. Aston; Mr. R. D. R. Bateman, M.B.E.; Mr. C. V. Best; Mr. A. Blackburn; Mr. R. P. Brown; Mr. W. R. Carter; Mr. J. Cartner; Mr. R. A. Cherm-side; Mr. J. B. L. Clark, C.B.E.; Mr. L. H. Clark; Mr. H. O. H. Coulson; Mr. S. M. Duncan; Mr. W. F. Edwards; Mr. A. R. English; Mr. E. S. Foden; Mr. C. R. P. Goodwin; Mr. N. B. Hart, O.B.E.; Mr. W. S. Hayes; Mr. J. S. F. Hill; Mr. G. N. Hunter; Mr. H. Kirton; Mr. S. Kitchen; Mr. G. P. Morgan-Jones; Mr. F. S. Mowforth; Mr. A. H. Proud; Mr. J. D. Reekie; Mr. D. W. Robertson; Mr. B. D. Shaw; Mr. H. C. Shaw; Mr. D. Steele; Mr. D. E. T. Tanfield; Mr. J. W. Walkden; Mr. F. J. Weeks; Mr. A. Whittaker and Mr. E. K. Wright, with the Secretary.

Mr. E. K. Wright, M.A., F.C.A.

The Committee congratulated Mr. E. K. Wright on his election to the Council of the Institute.

Standing Sub-Committees

Reports were received from the following Standing Sub-Committees: General Advisory Sub-Committee, Management Accounting Sub-Committee, Taxation Sub-Committee, Planning Sub-Committee.

Ad hoc Sub-Committees

Progress reports were received from five special sub-committees.

Future meetings

The next meeting of the Committee was arranged for Thursday, June 18, and the following are the normal dates for other meetings in 1959: Thursdays, September 17, October 22, December 10.

Members' Library

The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:

- The Accountant in Public Practice; by K. L. Milne, 1959. (Butterworths, 25s.)
Briefing and Conference Techniques; by G. M. Loney. New York, 1959. (McGraw-Hill, 31s.)
The British Budgetary Systems; by Sir H. Brittain. 1959 (George Allen & Unwin, 25s.)
Business Forecasting; by E. C. Bratt. New York, 1958. (McGraw-Hill, 58s.)
Canadian Master Tax Guide 1959. (Commerce Clearing House): 14th edn. Toronto, 1959.
An Economic History of Transport; by C. I. Savage. 1959. (Hutchinson, 18s.)
100 Years of Banking in Canada: a History of the Toronto-Dominion bank; by J. Schull. (Toronto.) 1958. (Presented.)
The Ministry of Transport and Civil Aviation; by Sir G. Jenkins. 1959. (George Allen & Unwin, 21s.)
Office Management; by J. C. Denyer. 1959. (Macdonald & Evans, 45s.)
The Organisation of Wholesale Textile Distribution; by W. J. Philpott. 1959. (Macdonald, 12s. 6d.)
Principles of the English Law of Contract and of agency in its relation to contract; by Sir W. R. Anson: 21st edn. by A. G. Guest. Oxford, 1959. (Clarendon Press, 50s.)
Reminders for Club Secretaries and Treasurers; by C. J. G. Lewis. 1958. (Jordan, 7s. 6d.)

President's Dinner

THE PRESIDENT of the Institute, Mr. W. L. Barrows, gave a dinner on May 5 at the Mansion House, London, E.C.4 (by kind permission of the Lord Mayor). The President was supported by members of the Council, as shown below.

The following guests accepted invitations:

Mr. W. G. Agnew, C.V.O. (Clerk of the Privy Council); Mr. J. F. Allan, F.C.A. (President of the Liverpool Society); Mr. James A. Allen, F.C.A. (Joint Liquidator of the Society); Mr. W. M. Allen (an Assistant Secretary); Mr. G. R. Appleyard, F.C.A. (1958 Summer Course Group Leader); Mr. S. J. Aronson, A.C.A.; Mr. H. Garton Ash, O.B.E., M.C., F.C.A. (past President of the Institute); Mr. Charles W. Aston, A.C.A. (Chairman of the London and District Society); Mr. R. W. Bankes, C.B.E. (former Secretary of the Institute); Mr. P. G. Barber, M.B.E., F.C.A.; Mr. Maurice S. Barker, F.C.A.; Mr. J. R. Barrows; Mr. P. W. Barrows, A.C.A.; Mr. R. Wilson Bartlett, D.L., F.C.A. (past President of the Society); Mr. B. D. Barton, A.C.A. (1958 Summer Course Group Leader); Sir Harold

Barton, F.C.A. (past President of the Institute); Mr. R. P. Baulkwill, C.B.E. (The Public Trustee); Mr. L. Hargreaves Beare, A.C.A. (Deputy Chairman and Managing Director of Amalgamated Needles and Fishhooks Ltd.); Dr. A. Beauchamp, O.B.E., M.B., CH.B., M.R.C.S., L.R.C.P. (Chairman of the Executive Committee of the British Medical Association); Sir Bernhard Binder, F.C.A. (past President of the Institute); Mr. T. Fleming Birch, F.C.A. (former Council member); Mr. Roland Bird (Deputy Editor of *The Economist*); Mr. James Blakey, F.C.A. (past President of the Institute); Mr. Frank Bower, C.B.E. (President of the Association of British Chambers of Commerce); Mr. C. W. Boyce, C.B.E., F.C.A. (past President of the Institute); Mr. Henry B. Bradfield, M.C., T.D., F.C.A. (President of the Nottingham Society); The Rt. Hon. Sir Norman Brook, G.C.B. (Secretary of the Cabinet); The Rt. Hon. Henry Brooke, M.P. (Minister of Housing and Local Government and Minister for Welsh Affairs); Mr. N. E. Bruckland; Mr. F. N. Bucher, Q.C.; Mr. J. C. Burman (High Sheriff of Warwickshire); Mr. R. H. Butler (Chairman of Mitchells & Butlers Ltd.); Mr. W. G. Campbell, F.C.A. (former Council member); Sir Eric Carpenter, O.B.E. (Chairman of Williams Deacons Bank Ltd.); Mr. R. J. Carter, F.C.A. (Secretary of the London Students' Society); Mr. John Cartner, A.C.A. (member of the Non-Practising Members' Consultative Committee. Director and Secretary, The Metal Box Co. Ltd.); Mr. J. Morton Cave; Lt.-Col. R. M. Chapman, T.D., D.L. (President of the Northern Society); Mr. Denzil R. N. Clarke, A.C.A. (member of the Education and Training Committee); Mr. Eric M. Clayson, A.C.A. (member of the Non-Practising Members' Consultative Committee. Chairman and Managing Director, *Birmingham Post and Mail*); Mr. L. P. Cleminson, A.C.A. (1958 Summer Course Group Leader); Mr. J. Wilbur G. Cocke, T.D., A.C.A. (Secretary of the London District Society); Mr. D. Davey Cole, A.C.A. (Director, Mitchells & Butlers Ltd.); Sir Edmund Compton, K.B.E., C.B. (Comptroller and Auditor General); Sir Stanford Cooper, F.C.A. (member of the Restrictive Trade Practices Court); Mr. H. O. H. Coulson, F.C.A. (member of the Education and Training Committee); Sir Cecil Crabbe (Chief Registrar of Friendly Societies and Industrial Assurance Commissioner); Mr. I. A. F. Craig, O.B.E. (an Assistant Secretary); Rev. J. G. Davies; Mr. B. J. Davis, F.C.A. (C.A.B.A. Investment Sub-Committee); Mr. G. Roland Dawes, F.C.A. (Chairman, Neville Industrial Securities Ltd.); Mr. A. L. de Bruyne (Director of the Netherlands Instituut van Accountants); Dr. A. Th. de Lange (President of the Nederlands Instituut van Accountants); Mr. J. Diamond, M.P., F.C.A.; Mr. A. S. H. Dicker, M.B.E., F.C.A. (past President of the Institute); Mr. D. F. Dodd, T.D., F.C.A. (President of the Birmingham and District Society); The Lord Dovercourt, F.C.A.; Mr. D. C. Stuart Downs, F.C.A. (President of the Hull, East Yorkshire and Lincolnshire Society); Rev. A. John Drewett (Rector, St. Margaret's, Lothbury); Mrs. J. J. Duncalf; Mr. Derek du Pré (Secretary of the Institute of Cost and Works Accountants); Mr. J. P. Eames, O.B.E., F.S.A.A. (City Treasurer, Birmingham); Brigadier C. T. Edwards, C.B.E.; Mr. W. F. Edwards, A.C.A. (member of the Non-Practising Members' Consultative Committee. Director, Treasurer and Secretary, General Motors Ltd.); Mr. R. W. L. Eke, F.C.A. (Chairman of the C.A.E.S.S.); Mr. E. Cassleton Elliott, C.B.E., F.C.A. (Past President of the

Society); Mr. J. S. Ellison, A.C.A. (member of the Education and Training Committee); Mr. Sheriff John E. Evan-Cook; Mr. C. A. Evan-Jones, M.B.E. (an Assistant Secretary); Sir John Evans, K.B.E., C.B. (Deputy Chairman, Board of Inland Revenue); Mr. L. W. Farrow, C.B.E., F.C.A. (former Council member); Mr. F. H. H. Finch (Institute Appointments Officer); Mr. F. G. Fleury, O.B.E. (President of the Royal Institution of Chartered Surveyors); Mr. George R. Freeman, C.B.E., F.C.A. (past President of the Institute); Mr. H. J. S. French, O.B.E. (Chairman of the Issuing Houses Association); Mr. Henry J. Furness (President of the Institute of Cost and Works Accountants); Mr. T. R. Garnett (Master of Marlborough College); Mr. C. G. Garratt-Holden, C.B.E., T.D. (Secretary of Building Societies' Association); Mr. A. A. Garrett, M.B.E. (former Secretary of the Society); Mr. J. W. Gauntlett; Mr. H. James Gittos, F.C.A. (past President of the Birmingham and District Society); Mr. Bruce W. Goodman, A.C.A. (Secretary, Marks & Spencer Ltd.); Mr. J. F. Gregg (Town Clerk of Birmingham); Mr. G. H. Gunson, C.A. (Director, Helbert Wagg & Co. Ltd.); Mr. J. Malcolm Harrison, T.D., F.C.A. (1958 Summer Course Group Leader); Mr. M. G. J. Harvey, A.C.A. (Accountant); Mr. W. R. Hecker (Chairman of the Joint Committee of the Four Secondary School Associations); Lt.-Col. D. V. Hill (Steward of Christ Church); Sir E. Milner Holland, C.B.E., Q.C. (immediate past Chairman of the Bar Council); Mr. Walter Holman, F.C.A. (past President of the Society); Mr. A. G. J. Horton-Stephens, F.C.A. (President of the South-Eastern Society); Mr. John M. Howard, M.P., F.C.A. (P.P.S. to Financial Secretary to the Treasury); Mr. D. P. Hubbard; Mr. G. B. C. Hughes, A.C.A. (Chairman of the Union of Chartered Accountant Students' Societies); Mr. Percy F. Hughes (Editor in chief, *The Accountant and Taxation*); Mr. G. N. Hunter, F.C.A. (President of the Leeds, Bradford and District Society); Mr. Richard D. Hyde (Chairman of the Baltic Mercantile and Shipping Exchange); Mr. Geo. W. Ilsley, A.C.A. (Master of the Worshipful Company of Founders); Mr. W. Jackson (President of the Association of Certified and Corporate Accountants); Sir Alexander Johnston, K.B.E., C.B. (Chairman of the Board of Inland Revenue); Mr. P. C. Jones; Sir Russell Kettle, F.C.A. (past President of the Institute); Mr. N. G. Lancaster, M.B.E., A.C.A. (President of the Birmingham Chamber of Commerce. Member of Education and Training Committee); Mr. S. V. Lancaster, T.D., F.C.A.; Mr. B. H. Larkins, A.C.A.; The Lord Latham; Mr. J. Latham, C.B.E., A.C.A. (member of the Non-Practising Members' Consultative Committee. Deputy Chairman, National Coal Board); Mr. J. C. Latham, D.L., F.S.A.A., F.A.C.C.A. (Director of the Association of Certified and Corporate Accountants); Mr. R. G. Leach, C.B.E., F.C.A. (co-opted member of the Parliamentary and Law Committee); Mr. F. C. A. Ledsam, F.C.A. (past President of the Birmingham and District Society); Mr. Leo T. Little (Editor of ACCOUNTANCY); Mr. Thomas Lister, C.A. (President of the Institute of Chartered Accountants of Scotland); Mr. Ernest Long, F.S.A.A. (Vice-President of the Chartered Institute of Secretaries); Mr. C. H. S. Loveday, A.C.A. (an Assistant Secretary); Mr. F. J. B. Lovell, A.C.A.; Sir Thomas Lund, C.B.E. (Secretary of the Law Society); Mr. E. N. Macdonald, D.F.C., F.C.A. (Chairman of the Taxation and Research Committee); Mr. E. H. V. McDougall (Secretary of the Institute of

Chartered Accountants of Scotland); Mr. W. R. MacGregor, F.C.A. (former Council member); Mr. Alan S. MacIver, M.C. (Secretary); The Rt. Hon. Ernest Marples, M.P., A.C.A. (Postmaster-General); Mr. R. I. Marshall, C.A. (immediate past President of the Institute of Chartered Accountants of Scotland); Sir Basil Mayhew, K.B.E., F.C.A.; Mr. Alexander Meikle (Chairman of the Building Societies' Association); Mr. A. A. Miller, M.C., F.C.A.; Alderman Sir James Miller, D.L.; Mr. K. J. Milligan, F.C.A.; The Rt. Hon. Lord Mills, K.B.E. (Minister of Power); The Lord Milne, C.A.; Mr. N. R. Mody, F.C.A. (past President of the Indian Institute); Mr. John W. J. Moir, A.C.A. (Director, Rockware Glass Ltd.); Mr. K. A. E. Moore, F.C.A. (former Council member); Mr. Austin Morley (Managing Director, Averys Ltd.); Mr. C. D. Morley (Secretary to the Council of the Stock Exchange); The Rt. Hon. Lord Justice Morris (Lord Justice of Appeal); Mr. G. R. G. Mure (Warden of Merton College); Mr. J. Hugh Neill (The Master Cutler); Mr. E. J. Newman, F.C.A. (Hon. Secretary of the Birmingham and District Society); Mr. W. H. Newton, F.C.A. (past President of the Birmingham and District Society); Mr. E. H. Nichols, T.D. (Town Clerk of the City of London); Mr. H. T. Nicholson, F.C.A. (1958 Summer Course Group Leader); Sir Edward J. Norman (Chief Inspector of Taxes); Sir Charles Norton, M.B.E., M.C.; Mr. Evan Ag Norton, C.B.E. (Chairman of the Board of Birmingham Teaching Hospitals); Mr. F. R. Norton (President of the Chartered Insurance Institute); Mr. L. J. H. Noyes, A.C.A. (Secretary to the Taxation and Research Committee); Col. W. H. Olivier, T.D., F.C.A. (President, Sheffield and District Society); Mr. W. Stuart Orr (Secretary of the Institute of Chartered Accountants in Ireland); Mr. F. Cameron Osbourn, M.B.E. (Secretary of the Association of Certified and Corporate Accountants); Mr. James C. Parsons, F.C.A. (former Council member); Mr. W. Leonard Pells, F.C.A. (Institute Auditor); Brigadier E. C. Pepper, C.B.E., D.S.O., D.L. (Warden of London House); Mr. Leslie E. Peppiatt, M.C. (President of the Law Society); Mr. S. R. Perratt, F.C.A. (President of the Bristol and West of England Society); Mr. Alderman and Sheriff Ralph E. Perring; Mr. C. J. Peyton, A.C.A. (1958 Summer Course Group Leader); The Lord Piercy, C.B.E. (Chairman of Industrial and Commercial Finance Corporation Ltd.); Mr. John H. Platford, A.C.A. (Master of the Worshipful Company of Needle-makers); Mr. T. L. Plewman, F.C.A. (President of the Leicestershire and Northamptonshire Society); Sir Julian Pote, A.C.A. (member of the Non-Practising Members' Consultative Committee. Managing Director, The Steel Company of Wales Ltd.); The Lord Polwarth, T.D., C.A.; Mr. P. R. Prescott, A.C.A. (Secretary, Averys Ltd.); Mr. Leslie B. Prince, F.C.A. (Sheriff of the City of London, 1954/55); The Rt. Hon. Lord Radcliffe, G.B.E. (Lord of Appeal); Mr. Percy M. Rees, M.C., F.C.A. (former Council member); Mr. F. M. Redington (President of the Institute of Actuaries); Mr. C. T. Rippingham, T.D., A.C.A.; The Lord Ritchie of Dundee (Deputy Chairman of the Stock Exchange); Mr. John Rodgers, M.P. (Parliamentary Secretary of the Board of Trade); Mr. B. G. Rose, F.C.A.; Sir James Paterson Ross, K.C.V.O. (President of the Royal College of Surgeons); Mr. B. Rowe, F.C.A. (President of the South Wales and Mon. Society); Mr. J. E. Rowe, A.C.A. (Director, B.S.A. Ltd.); The Hon. Charles R. Russell, Q.C. (Attorney General to the Duchy

of Cornwall); Mr. Eric C. Sayers, A.C.A. (Accountant, Duport Ltd.); Sir John Senter, Q.C.; Dame Evelyn A. Sharp, D.B.E. (Permanent Secretary, Ministry of Housing and Local Government); Mr. R. L. Sich, C.B. (Registrar of Restrictive Trading Agreements); Mr. A. A. Simmons, A.C.A.; Mr. Basil Smallpeice, F.C.A. (former Council member. Managing Director, B.O.A.C.); Mr. C. P. C. Smith (Master of Haileybury and Imperial Service College); Mr. Donald H. Smith, A.C.A. (President of the East Anglian Society); Mr. Arthur B. Snow, F.C.A. (1958 Summer Course Group Leader); Mr. T. W. South; Mr. R. J. W. Stacy, C.B. (Under Secretary, Board of Trade, Insurance and Companies Department); Sir Ivan A. R. Stedford, K.B.E. (Chairman, Tube Investments Ltd.); Mr. Rodway Stephens, F.C.A. (Chief Commoner); Mr. Geoffrey Stevens, M.P., F.C.A.; The Rt. Hon. Lord Strathclyde, C.A.; Mr. J. W. Stubbs (Grand Secretary, United Grand Lodge of Freemasons); Mr. C. A. Surtees; Mr. F. Heyworth Talbot, Q.C.; Mr. Reginald E. Tapping (President of the Chartered Auctioneers' and Estate Agents' Institute); Mr. Cecil C. Taylor, F.C.A. (1958 Summer Course Group Leader); Colonel J. Hulme Taylor, O.B.E. (The Swordbearer); Mrs. I. F. Terry; Mr. T. A. Lacy Thompson, D.S.O., M.C., F.C.A. (former Council member); Mr. H. W. Thomson (Librarian); Mr. G. L. C. Touche, F.C.A. (former Council member); Alderman Sir Denis Truscott, T.D., G.B.E. (Lord Mayor of London, 1957-8); Mr. W. S. C. Tully, C.B.E., A.C.A. (Deputy Managing Director, Renold Chains Ltd.); Mr. C. B. G. Turner, F.C.A. (1958 Summer Course Group Leader); Mr. Douglas W. Turner (Chairman, Wellington Tube Works Ltd.); Mr. G. J. W. Turner, M.C., T.D. (Chairman, Wrights Ropes Ltd.); Mr. C. G. Vaughan-Lee, D.S.C.; The Earl of Verulam (Chairman, The British Institute of Management); Mr. H. Alan Walker (Director, Mitchells & Butlers Ltd.); Mr. James Walker, C.B.E. (President of the Institute of Chartered Accountants in Ireland); Mr. Stanley I. Wallis, F.C.A.; Mr. Arthur E. Webb (Editor of *The Accountant*); Mr. Michael Wheeler; Mr. Douglas H. Whinney, T.D., F.C.A. (Hon. Secretary of the Chartered Accountants' Dining Club); Mr. H. B. T. Wilde, F.C.A. (former Council member); Mr. Lionel Wilk, D.F.C., F.C.A.; Mr. C. G. Willett, A.C.A.; Mr. J. R. McK. Willis, C.B., C.M.G. (Deputy Chairman of the Board of Inland Revenue); Mr. J. S. Wilson, C.A. (Chairman of the Association of Scottish Chartered Accountants in London); Mr. E. A. Winters, A.C.A.; Mr. R. Wood, C.A. (Secretary of the Scottish Chartered Accountants in London); Mrs. E. M. Wright, A.C.A. (Chairman of the Women Chartered Accountants' Dining Society).

The Council members present were: Mr. C. U. Peat, M.C., Vice-President; Mr. J. Ainsworth, M.B.E., Mr. E. Baldry, O.B.E., Mr. C. Percy Barrowcliff, Mr. T. A. Hamilton Baynes, Mr. J. H. Bell, Mr. H. A. Benson, C.B.E., Mr. P. F. Carpenter, Sir William Carrington, Mr. G. T. E. Chamberlain, Mr. D. A. Clarke, Mr. J. Clayton, Mr. C. Croxton-Smith, Mr. W. G. Densum, Mr. S. Dixon, Mr. W. W. Fea, Mr. G. G. G. Gault, Mr. P. F. Granger, Mr. L. C. Hawkins, Mr. J. S. Heaton, Mr. D. V. House, Sir Harold Howitt, G.B.E., D.S.O., M.C., Mr. P. D. Irons, Mr. J. A. Jackson, Mr. H. O. Johnson, Mr. W. H. Lawson, C.B.E., Mr. R. B. Leech, M.B.E., Mr. R. McNeil, Mr. J. H. Mann, M.B.E., Mr. R. P. Matthews, Mr. Bertram Nelson, C.B.E., Mr. W. E. Parker, C.B.E., Mr. S. J.

Pears, Mr. F. E. Price, Mr. P. V. Roberts, Mr. L. W. Robson, Sir Thomas Robson, M.B.E., Mr. G. F. Saunders, Mr. K. G. Shuttleworth, Mr. C. M. Strachan, O.B.E., Mr. J. E. Talbot, Mr. E. D. Taylor, Mr. A. D. Walker, Mr. A. H. Walton, Mr. V. Walton, Mr. M. Wheatley Jones, Mr. E. F. G. Whinney, Mr. J. C. Montgomery Williams, Mr. R. P. Winter, C.B.E., M.C., Mr. E. K. Wright, Sir Richard Yeabsley, C.B.E.

Chartered Accountants' Benevolent Association

THE SEVENTY-THIRD ANNUAL general meeting of the Chartered Accountants' Benevolent Association was held on May 6 after the meetings of the Institute

Sir William Carrington, F.C.A., (the President), said:

Mr. President, Ladies and Gentlemen,

I hope I shall not detain you for many minutes. I do thank you for remaining for this seventy-third annual meeting of the Benevolent Association.

It is not my purpose to make a long speech; it is not my purpose to repeat what is said in the annual report—that is a factual review, all of which is important. But I do want to underline one particular point that is referred to in that annual report, namely, the fact that your Committee has reviewed the scale of grants and it has authorised a very considerable increase in that scale. That is an increase which we think is necessary in order to enable the beneficiaries to maintain a reasonable standard of life.

We have decided on that increase in the full knowledge that it will impose in a full year an additional burden of some £5,000 or £6,000, and therefore we look to you, and through you to all members of our Institute, to support us either by increasing their subscriptions if they are already members, or by joining the Association if they are not already members, in order that we may carry on without deficits. As I say, our outgoings are to be increased by at least £5,000 per annum, and I am quite sure that as the years roll by and we get the results of the large increase in membership of the Institute over the last few years, when these people get to the later middle age then the demands on this Association will grow. It is for that reason that we think it would be a mistake to pay for this increased relief out of our accumulated funds. We want to maintain them intact and we appeal to members with confidence that they will support us by providing the revenue to support this increased relief. Our purpose is to give relief and we want the relief to be worth while.

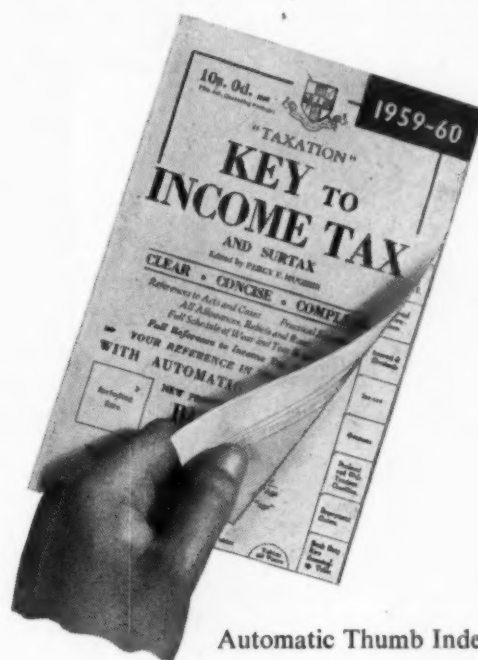
With these few remarks, ladies and gentlemen, I beg to propose that the report

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and accounts of the Benevolent Association for the year ended February 28, 1959, be adopted, and I will ask the President of the Institute to be good enough to second that.

Mr. W. L. Barrows, F.C.A. (President of the Institute), seconded the resolution, and it was carried unanimously.

Mr. P. A. Aldrich, F.C.A. (London) moved "That the Honorary Auditors, Mr. Geoffrey Bostock, F.C.A., and Mr. Leonard Walter Bingham, F.C.A., be re-elected for the ensuing year, and that our thanks to them for their honorary services during the past year be recorded."

Mr. F. C. A. Ledsam, F.C.A. (Birmingham) seconded this, and it was passed unanimously.

Mr. C. H. Mead, F.C.A. (London): Mr. President, I am quite certain that the members of the Association present here would wish to express their thanks to you, Sir William, for your services to the Benevolent Association during this past year, and although it is not in my brief, I am quite certain that those members, and the widows, who have been helped would also wish to extend their thanks to you and to the Executive Committee for what I am certain is the sympathetic and kindly way in which they have been treated.

The motion was carried by acclamation. The President acknowledged the vote of thanks.

London Industrial Chartered Accountants' Group

A LADIES' NIGHT dinner was held by the London Industrial Chartered Accountants' Group on Friday, April 24, at the Swedish Luncheon Club, Trinity Square, Tower Hill, London, E.C.3. There were some twenty members of the group present, with their ladies, including the chairman, Mr. A. B. Cawdron, A.C.A., who presided, and Mr. E. H. Davison, A.C.A., secretary. The guests were Mr. W. L. Barrows, LL.D., F.C.A., President of the Institute of Chartered Accountants in England and Wales, Mr. A. S. MacIver, Secretary of the Institute, Mr. F. Waldo Forge, representing ACCOUNTANCY, and their wives. Mr. Cawdron proposed the health of the Institute, coupled with the name of Mr. Barrows, who replied. Mr. R. A. Marden, A.C.A., proposed the health of the guests, the response being given by Mr. Forge.

The Chartered Accountants' Benevolent Association

The principal object of the Association is the relief of necessitous persons who are or have been members of the Institute of Chartered Accountants in England and Wales, of their necessitous wives and children and of the necessitous widows and children of deceased members.

All members of the Institute are invited to support the Association by the payment of an annual subscription or by donation. Some members may also find it possible to mention the Association in their wills.

The Association is able from time to time to assist in finding accommodation in homes for aged members and their wives and for the aged widows of members in cases where a measure of care and attention is required which cannot be obtained by paying for it at normal commercial rates.

Enquiries should be sent to the Honorary Secretary at Moorgate Place, London, E.C.2.

Forthcoming Events

BIRMINGHAM

May 29.—Annual Summer Dance of Birmingham Students' Society. The Botanical Gardens, Edgbaston.

BRADFORD

May 29.—Members' luncheon meeting. Victoria Hotel, at 12.45 for 1 p.m.

BRISTOL

May 21.—Members' meeting. Assize Courts Hotel, Small Street, at 6.30 p.m.

June 18.—Members' meeting. Assize Courts Hotel, Small Street, at 6.30 p.m.

GRIMSBY

May 25.—Members' luncheon. The Royal Hotel, at 1 p.m. Speaker: Mr. J. W. Boyd, Manager, Midland Bank Limited, on (a) "A Banker's experience of the Cheques Act, 1957," and (b) "The personal loans scheme."

HUDDERSFIELD

June 16.—Members' luncheon meeting. Whiteley's Restaurant, at 12.30 for 12.45 p.m.

LONDON

May 23.—Summer dinner and annual general meeting of Women Chartered Accountants' Dining Society. Crosby Hall, Cheyne Walk, Chelsea, S.W.3, at 7 p.m. Applications enclosing dining fee of 15s. should be made to the Hon. Secretary, Miss B. I. Rainey, c/o Messrs. Porritt, Rainey & Co., 63/64, New Broad Street, London, E.C.2.

May 26.—Annual general meeting of the London and District Society, Oak Hall of the Institute, Moorgate, E.C.2, at 6 p.m.

June 2.—Special general meeting of the Institute of Chartered Accountants in England and Wales. Hall of the Chartered Insurance Institute, 20 Aldermanbury, E.C.2, at 2 p.m.

June 3.—Meeting of Taxation Discussion Group. The Cheshire Cheese, 10 Surrey Street, London, W.C.2, at 6 for 6.15 p.m.

NOTTINGHAM

May 25.—Members' tea, followed by a Brains Trust with members of the Inland Revenue. Welbeck Hotel, at 5 p.m.

YORK

May 20.—Members' luncheon meeting. De Gray Rooms, at 1 p.m.

Chartered Accountants' Golfing Society

The annual match against the Bar Golfing Society was played on the Woking course on April 11. Teams of five pairs each played ten foursome matches. The result was a draw, 5-5.

The Annual Wood Cup match between the Chartered Accountants' Golfing Society and the Association of Scottish Chartered Accountants in London Golf Club was held at Sunningdale on April 22. The match was by two ball foursomes Stableford competition over 36 holes under handicap, the best six cards on either side counting for the match.

The Cup was won by the Society with a total of 359 points to 348.

The prizewinners were: *Best aggregate for 36 holes*: H. L. Davies and H. G. P. Greenwood (Society), 67. *Morning Round, Old Course. 1st Prize*: T. Neville and N. McAndrew (Association), 32. *Runners-Up*: after a tie, M. A. P. Gay and A. M. Hendry (Society) took the prize with the best score for the last 9 holes.

Afternoon Round, New Course. 1st Prize: C. A. Murray and J. A. M. Kinnear (Association), 37. *Runners-Up*: after a tie, D. W. Ness and D. Skinner (Association) took the prize with the best score for the last 9 holes.

District Societies

BRISTOL AND WEST OF ENGLAND

MR. R. WILLIAMS, A.C.A., has resigned the office of Honorary Secretary. His successor is Mr. G. C. Ehlers, M.A., F.C.A., Messrs. E. T. Collins & Son, 28 Baldwin Street, Bristol, 1.

COVENTRY BRANCH

AT THE ANNUAL general meeting on April 27, the following new elections took place: Chairman: Mr. E. W. Evans, F.C.A.; Vice-Chairman: Mr. D. H. Smale, A.C.A.; Hon. Treasurer: Mr. G. F. B. Peirson, F.C.A.; Hon. Secretary: Mr. R. G. Binks, A.C.A., Messrs Daffern & Co., 29 Warwick Road, Coventry; Hon. Librarian: Mr. T. D. Kelly, A.C.A.; Committee: Mr. M. J. Kirby, F.C.A., Mr. B. K. Mead, A.C.A., Mr. F. H. Parkinson, F.C.A., Mr. D. H. Salmon, A.C.A., Mr. G. E. Withers, A.C.A.

DERBY BRANCH

MR. E. N. JACKSON, F.C.A., has resigned as Hon. Secretary. His successor is Mr. H. J. Cotterill, F.C.A., 102 Friar Gate, Derby.

ISLE OF MAN BRANCH

THE FOLLOWING OFFICERS have been elected for the ensuing year: Chairman, Mr. J. B. Garside, F.C.A.; Hon. Secretary, Mr. J. W. Manderson, F.C.A., St. George's Chambers, 1 Athol Street, Douglas, Isle of Man; Hon. Treasurer, Mr. J. G. Fargher, F.C.A.; Hon. Auditor, Mr. J. K. Billington, F.C.A. The following were re-elected to the Committee: Mr. J. B. Bolton, F.C.A., Mr. W. A. Crowe, F.C.A., Mr. C. R. Ducker, F.C.A.

LEEDS, BRADFORD AND DISTRICT

THE RECENTLY APPOINTED President of the Leeds, Bradford and District Society is Mr.

Harold Lawson Simpson, F.C.A., of the firm of Simpson, Wood & Co., Chartered Accountants, Huddersfield. The appointment of a President from "the district" indicates the widely diffused interest in this Society's activities. Mr. Simpson has previously been Chairman of the Huddersfield Group. He qualified as a member of the Institute in 1922.

Before joining H.M. Forces in World War I he had been a civil servant in the Inland Revenue Department. He has held various local government appointments in rating and finance, and served for a number of years as a member of Huddersfield County Borough Council. He is a Fellow of the Institute of Taxation.

Mr. Simpson is prominently associated with the work of the Y.M.C.A. and youth organisations in Huddersfield.

LONDON

Oxford Chartered Accountants' Group

THE FIRST ANNUAL general meeting of the Group was held on April 13. The following officers and committee were elected for 1959/60: Chairman, Mr. R. H. Langdon-Davies; Vice-Chairman, Mr. J. E. Critchley; Hon. Secretary, Mr. F. N. Martin; Hon. Treasurer, Mr. G. H. Best; Committee, Mr. G. H. Butler, Mr. F. G. Harris, Mr. W. E. C. Offer, Mr. G. A. Slator, Mr. H. Tonge, Mr. J. C. White and Mr. R. A. Wilkinson.

MANCHESTER

Opening of Hall

MR. A. H. WALTON, F.C.A., President of the Manchester Society of Chartered Accountants, speaking at the annual general meeting on May 1, expressed his pride and pleasure in formally declaring open the Chartered Accountants' Hall of the Manchester Society. The meeting was held in the new Hall at 46 Fountain Street, Manchester, 2.

Mr. Walton spoke with gratitude of those who founded the Society in 1881. It was the largest provincial Society of the Institute, with corresponding numbers of students, but with the facilities now available for meetings and for the staff he felt that the future could be faced with confidence and hope.

Students' Societies

BLACKPOOL AND FYLDE

MR. B. DOWNS and Mr. J. N. Wiseman, c/o Mr. Noel Wiseman, A.C.A., 19 Queen Street, Blackpool, are now Joint Honorary Secretaries.

Report

The total membership is now sixty-five. The committee welcomes those who have joined as a result of the integration scheme.

The Manchester Joint Tuition Committee

again organised the lecture programme at Preston.

The residential course at Burton Manor was as popular as ever, but a shorter week-end course at Manchester did not meet with the response hoped for.

Four factory visits were arranged, and monthly luncheons continued throughout the year. The annual tennis tournament and the dinner dance were most successful.

Nine students passed the Final examination during 1958, and five the Intermediate. In addition there were five successes in Part II and one in Part I of the Society Final.

BRADFORD

THE FOLLOWING have been elected for 1959/60: President, Mr. F. W. Boyce, M.C., T.D., F.C.A.; Vice-Presidents, Mr. W. A. Heap, B.A., LL.B., A.C.A., and Mr. K. Russam, F.C.A.; Secretary, Mr. E. R. Armstrong, A.C.A.; Treasurer, Mr. J. E. Tuke; Assistant Secretary, Mr. R. B. Knowles, A.C.A.; Lecture Secretary, Mr. C. Dean; Membership Secretary, Mr. K. Knight; Bradford Tuition Secretary, Mr. W. D. Hitchenor; Librarian, Mr. R. S. Fraser, B.COM., A.C.A.; Committee, Mr. A. J. Cameron, Mr. E. S. Gropper, B.A.(COM.), Mr. I. L. Stainton, Mr. D. P. Sugden, Mr. A. J. de L. Taylor, Mr. P. J. Watson; Huddersfield Branch representative, Mr. C. J. G. Taylor; representative of the District Society Committee, Mr. C. W. Allan, B.COM., F.C.A.

EAST ANGLIAN

MR. B. D. SHAW, A.C.A., has been elected President. The new Honorary Secretary is Mr. E. E. Maule, c/o Messrs. Ensor, Son & Gault, 7 Elm Street, Ipswich.

LONDON

THE WEEK-END RESIDENTIAL course for first-year students at Corpus Christi College, Cambridge, in April, was attended by 166 students—the largest number since spring courses were started three years ago.

Mr. W. E. Parker, C.B.E., F.C.A., President of the Students' Society, presided at the opening dinner, and the Dean and the Bursar of Corpus Christi College were guests.

Lectures were given on "How and Why a Business Works," by Sir Arnold Plant, B.SC.(ECON.), B.COM. (Sir Ernest Cassel Professor of Commerce, University of London); "The Queen's Peace," by Sir Theobald Mathew, K.B.E., M.C. (Director of Public Prosecutions); "The Principal's Work and Worries," by Mr. C. H. Kohler, F.C.A.; "Audit Practice," by Mr. J. P. S. Edge-Partington, A.C.A. (member of the Committee); and on "The European Financial Organisations," by Dr. M. R. Fisher, PH.D. (Lecturer in Economics, University of Cambridge). Group discussions lasted for many hours.

Many firms are encouraging their articled clerks to attend these courses for the substantial benefits they give in broadening outlook and in stimulating the feeling of professional spirit and responsibility.

Annual General Meeting

THE ANNUAL GENERAL MEETING was held on April 27. Mr. W. E. Parker, C.B.E., F.C.A., the President, occupied the chair.

Mr. M. W. Russell, the Chairman of the Committee, in seconding the adoption of the report and accounts for 1958, observed that integration had increased both membership and the accumulated fund. In spite of heavier expenses the Committee expected the Society to be able to maintain its financial stability. The disturbing feature of the report was the failure of attendances at the general lectures to expand with membership, but there had been a marked improvement since it had become possible to return to the Institute building for meetings.

The Committee was encouraging the formation of more branches, as a means of stimulating local activities and in the hope that they might eventually become independent students' societies.

A memorandum had been sent in for consideration by the Institute Committee under the chairmanship of Mr. W. E. Parker, C.B.E., F.C.A., the President of the London Students' Society, on Education and Training for the Profession.

The meeting adopted the report and accounts.

The retiring President, Vice-Presidents and Honorary Auditors were re-elected, with the thanks of the Society for their support and active participation.

Mr. R. P. Matthews, B.COM., F.C.A., J.P., did not stand for re-election as Hon. Treasurer in view of his election to the Council of the Institute. On the motion of Mr. H. J. Atkinson, he was accorded enthusiastic thanks for his help and advice during his six years of office. Mr. W. K. Wells, B.A., F.C.A., was elected as his successor.

The following were re-elected or elected members of the Committee: Mr. B. J. Arthur, Mr. J. V. F. Crowther, A.C.A., Mr. Stuart L. Hartley, Miss E. A. Hattley, Mr. A. Higgins, Mr. A. T. Nadal, A.C.A., Mr. B. M. O'Regan, B.SC.(ECON.), A.C.A., Mr. K. E. G. Payne, A.C.A., Mr. M. W. Russell, Mr. G. B. Snow and Mr. D. R. Waters.

News from the Committee**Speakers' Course**

The Speakers' Course was designed to follow on that of last session. The intention is to have another complete beginners' course in the autumn. Debaters recently visited the Putney Debating Society and the Solicitors Articled Clerks' Society. A debate has been arranged with Westfield Ladies' College on May 25. Further details may be obtained from the Library.

Play-reading Group

At the first meeting on April 14 fourteen members met to read the comedy *My Three Angels*. At the next meeting the group will probably read *The Importance of Being Ernest*. Members interested in plays and drama should contact Mr. C. D. Salomon through the Library.

Education and Training

It was reported in ACCOUNTANCY for November (page 625) that a sub-committee had been formed to prepare a submission to the Parker Committee of the Council on Education and Training for the Profession. This submission has now been approved by the Committee and forwarded.

Sports

The Association football match against the London School of Economics in March was lost 2-7.

At badminton the Society was unsuccessful twice against National Provincial Bank and against University College, London, but won in matches against Regent Street Polytechnic, Imperial College, London, and Barclays Bank.

MANCHESTER

THE OFFICERS FOR 1959/60 are: President, Mr. A. T. Eaves, M.M., F.C.A.; Vice-President, Mr. G. D. Ashcroft, A.C.A.; Hon. Secretary and Treasurer, Mr. C. W. R. Johnson, A.C.A.; Hon. Librarian, Mr. A. Rothburn, F.C.A.

Report

As a result of the scheme of integration 307 members of the Students' Section of the Incorporated Accountants' Society of Manchester and District were admitted to membership of this Society. Five of them joined the committee after the amendment of the rules.

At December 31, 1958, there were 1,042 ordinary and 334 honorary members. There are 53 members serving with H.M. Forces.

Eighteen lectures and twelve visits were arranged.

The Bolton Branch, with 47 students, had an interesting programme.

The Joint Tuition Committee again arranged Saturday morning lecture courses in Manchester and Preston. Residential courses were held at Burton Manor in March and September, and a week-end residential course at Hulme Hall, Manchester, in March.

Examination successes were: Chartered Intermediate 84, Chartered Final 94 (with two Certificates of Merit), Incorporated Intermediate 10, Incorporated Final 16. Manchester prizes were awarded as follows: Preliminary: Alan Smith, P. J. Gresty; Intermediate: B. A. Henstock, J. Hilton; Final: J. T. Jones, D. H. Way, A. T. Booth, D. F. Steele.

Football, cricket and golf matches were played.

The seventy-fifth anniversary dinner was held in March. There were two President's tea parties for newly-articled clerks.

NORTH LINCOLNSHIRE

THE FOLLOWING OFFICERS have been elected: President, Mr. A. A. Beardsall, F.C.A.; Vice-President, Mr. L. S. Wrighton, A.C.A., Mr. K. B. Collinson, A.C.A., and Mr. M. F. McCulloch, A.C.A.; Hon. Secretary, Mr. A. G. Horton, c/o Messrs. A. J. Kirman & Co., 9 New Street, Grimsby; Hon. Treasurer,

Mr. G. McIntyre; Hon. Lecture Secretary, Mr. H. D. Mitchell, A.C.A.; Committee, Mr. W. S. Warrs, A.C.A., Mr. B. H. Belk, Mr. D. S. Blow, Mr. C. Ellis, Mr. B. H. Fawcett, Mr. B. Turner; Hon. Auditor, Mr. J. B. Harrison, F.C.A.

The second annual dinner was held on April 3. The Chairman, Mr. L. S. Wrightson, A.C.A., presided.

Mr. P. J. Taylor, B.A., LL.B. (Secretary of Grimsby Law Students' Society) proposed the toast of the Institute, to which Mr. V. Walton, F.C.A. (member of the Council) responded.

Mr. M. G. Bain, F.C.A., proposed the toast of the Students' Society, and Mr. B. H. Fawcett replied. The toast of the guests was proposed by Mr. G. McIntyre and acknowledged by Mr. R. Gill, B.A. (Headmaster of Wintringham Grammar School, Grimsby).

Personal Notes

Professor David Solomons, B.COM., A.C.A., is taking up an appointment in the autumn as Professor of Accounting in the Wharton School of Finance and Commerce, University of Pennsylvania. He is therefore resigning at the end of the present academic year the office of Professor of Accounting at Bristol University, which he has held since the Chair was established in 1955.

Messrs. Phipps & Co., Chartered Accountants, Rye and Tenterden, announce that they have admitted into partnership Mr. Spencer F. Watts, A.C.A., who will be resident in Tenterden.

Messrs. Hay, Clark & Terry, Auckland, New Zealand, announce with regret the death on March 8 of Mr. A. R. Terry, A.C.A., A.P.A.N.Z., a partner in the firm.

Mr. John Blackledge, A.C.A., has been appointed Director of Finance of the Cotton Board in succession to Mr. George W. Killick, O.B.E., A.C.A., who has retired.

Messrs. Thomas May & Co., Chartered Accountants, Leicester, announce that Mr. W. T. Manning, F.C.A., and Mr. E. Bates, F.C.A., have retired from the partnership. Mr. A. A. Veasey, A.C.A., and Mr. R. Radford, A.C.A., who have both been members of the staff for some years, have been admitted as partners.

Messrs. Ashmole, Edwards & Goskar, Chartered Accountants, have taken into partnership Mr. Owen A. Parry, B.A., A.C.A. He will be available at the Swansea office. The firm name is unchanged.

Messrs. Chas. W. Rooke, Lane & Co., Chartered Accountants, London, W.C.2, have admitted into partnership Mr. G. W. C. White, A.C.A., who has been a member of their staff for many years.

Messrs. Temple, Gothard & Co., Chartered Accountants, London, W.C.2, announce a dissolution of partnership by mutual consent. Mr. J. D. Nightingill has entered into partnership with Messrs. Hays,

Akers & Hays, Chartered Accountants, London, E.C.4. The remaining partners are continuing as before in the name of Temple, Gothard & Co.

Messrs. Peat, Marwick, Mitchell & Co. announce that Mr. B. R. Cahill, A.C.A., who has been a senior member of their Leeds staff for ten years, has been admitted as a partner in their West Riding practice.

Messrs. Godfrey, Laws & Co., Chartered Accountants, Luton, have admitted Mr. P. G. Brown, A.C.A., into partnership. The name of the firm is unchanged.

Mr. J. C. Carr Braint, F.C.A., Leicester, has admitted to partnership his son, Mr. R. B. Braint, A.C.A. The firm name has been changed from Carr Braint & Johnson to Carr Braint & Son.

The partners of Oakley, Wederell, Crouch & Co., Chartered Accountants, London, W.C.2, deeply regret to announce the death of Mr. A. G. T. Oakley. The practice is being continued under the same style by the remaining partners.

Messrs. Bullimore, Wright & Co., Chartered Accountants, London, E.C.2, have admitted to partnership Mrs. Elizabeth Margaret Wright, A.C.A.

Mr. Richard R. Davies, F.C.A., has admitted into partnership in his firm of Richard Davies & Co., Chartered Accountants, Cardiff, Mr. Winston C. Davies, A.C.A., who has been his manager.

Messrs. Josolyne, Miles & Co., Chartered Accountants, London, E.C.2, announce that Mr. W. R. Burrough, F.C.A., has retired from the firm and that Mr. R. B. Barker, F.C.A., has been admitted as a partner. The name of the firm remains unchanged.

Messrs. Barker, Preston & Co., Chartered Accountants, London, W.C.1, announce that Mr. B. P. H. Preston, A.C.A., has retired from the firm. The remaining partner, Mr. R. B. Barker, F.C.A., has joined the firm of Messrs. Josolyne, Miles & Co., Chartered Accountants, and the practice has been taken over by them.

Messrs. Whitehill Marsh Jackson & Co., Chartered Accountants, London, W.C.1, announce that two of their partners (Mr. Sidney Jackson, B.COM., F.C.A., and Mr. R. C. G. Tibbles, B.COM., F.C.A.) have formed a supplementary partnership at the same address with Mr. C. C. Miller, B.COM., F.C.A., in the name of Miller Whitehill & Co.

Messrs. Turquand, Youngs & Co., London, E.C.2, announce that they have opened an office in Bangkok at Manida Building, New Road, Bangkok (P.O. Box 1047, Bangkok), under the management of Mr. G. A. Muggleston, A.C.A.

Messrs. Hays, Akers & Hays, Chartered Accountants, London, E.C.4, announce that Mr. J. D. Nightingirl, A.C.A., has joined the partnership.

Messrs. Arthur Andersen & Co., London, E.C.2, announce the admission of Mr. James D. Lamb, C.P.A., and Mr. Edward E. Maltby, F.C.A., to partnership in their United Kingdom firm.

Messrs. Price Waterhouse & Co. (Singa-

pore and Malayan firm) and Evatt & Co. announce that they have opened an office at Chartered Bank Building, Bangkok, Thailand, under the charge of Mr. P. G. Speed, C.A., as resident manager.

Mr. Stanley J. Elliott, A.C.A., Director of Finance of the Ford Motor Co. Ltd., Dagenham, has been appointed an executive director.

Messrs. Litton, Pownall, Blakey & Higson and Messrs Astbury, Mitcheson & Miller, both of 42 Spring Gardens, Manchester, have arranged for their practices to be run in conjunction. Mr. James Blakey, F.C.A., Mr. Clarence Rutter, F.C.A., Mr. John D. Thornley, B.A., A.C.A., and Mr. Walter S. Eccles, A.C.A., are the partners of both firms.

Mr. Robert Miller, F.C.A., who has been connected with Astbury, Mitcheson & Miller since 1900, has retired from the partnership.

Removals

Messrs. Somers, Cass & Co., Chartered Accountants, advise that their address is now Regency House, 1/4 Warwick Street, London, W.1.

Messrs. Ferguson, Rowland & Davies, Chartered Accountants, have removed to

Bush Lane House, Bush Lane, Cannon Street, London, E.C.4, where they are working in close association with the old-established firm of Scottish Chartered Accountants, Messrs. Smedley, Rule & Co.

Messrs. Harold L. Moses & Co., Chartered Accountants, have removed to 106 Great Portland Street, London, W.1.

Obituary

Clifford Roxby Akers

WE REGRET TO record the death on April 10 of Mr. C. R. Akers, F.C.A., senior partner in Messrs. Hays, Akers & Hays, Chartered Accountants, London. He was 68 years of age.

Mr. Akers was educated at Aldenham School, and after a short period with James Finlay & Co. Ltd., India merchants, served his articles with Messrs. Hays, Akers & Hays. He qualified in 1914 and was admitted to partnership in 1919. Until very recently he was also chairman of The Borneo Co. Ltd.

He maintained keen interest in the activities of his old school and in the Cumberland Lawn Tennis Club.

Not only his partners and staff but also many clients will miss his friendship and sound counsel.

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Southend-on-Sea, Essex

Classified Advertisements

Advertisements under "Appointments Vacant", "Practices & Partnerships", "Appointments Required", "Articled Clerks"—eightpence per word. Under "Official Notices", "Miscellaneous" and other headings—one shilling per word. Box numbers—five shillings extra (including the five words in the advertisement). Semi-displayed panels—£4 per column inch. All terms prepaid. Replies to Box Number advertisements should be addressed Box No. . . . c/o ACCOUNTANCY, 23 Essex Street, London, W.C.2, unless otherwise stated. It is requested that the Box Number be also placed at the bottom left-hand corner of the envelope.

APPOINTMENTS REGISTER OF THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Employers who have vacancies for members on their staffs and also members seeking new appointments are invited to make use of the facilities provided by the Institute's Appointments Register. No fees are payable. All enquiries should be addressed to the Appointments Officer, Moorgate Place, London, E.C.2. Tel. Monarch 8506.

APPOINTMENTS VACANT

BOURNEMOUTH EDUCATION COMMITTEE Bournemouth Municipal College of Technology and Commerce

DEPARTMENT OF COMMERCE

REQUIRED for 1st September, 1959, Assistant Grade "B" to teach Accountancy, Statistics and allied subjects in the Department of Commerce. Applicants should be University Graduates, or hold appropriate Accountancy qualifications, and preferably have some teaching experience.

Salary according to the Burnham Technical Scale, viz.: Men—£682 10s. by £26 5s. to £1,076 5s. Women—£609 by £21 to £861, with additions for training, qualifications and experience.

Further particulars and application forms obtainable from W. R. SMEDLEY, Chief Executive Officer, Town Hall, Bournemouth.

METROPOLITAN WATER BOARD APPOINTMENT OF TREASURER AND COMPTROLLER

THE METROPOLITAN WATER BOARD invite applications for the appointment of Treasurer and Comptroller and Registrar of Metropolitan Water (A) and Debenture Stocks at a salary of £3,200 by £160 to £4,000 per annum, the commencing salary to be determined at the time of the appointment.

Candidates must be members of the Institute of Chartered Accountants, or the Institute of Municipal Treasurers and Accountants, or the Association of Certified and Corporate Accountants. The appointment will be held during the pleasure of the Board, and the successful candidate will be required to give his whole time to the service of the Board and must not engage directly or indirectly in private practice or other paid employment.

Forms of application, which must be completed by the candidates and which contain further particulars of the appointment, may be obtained from the undersigned. The closing date for applications is 30th May, 1959.

Canvassing is strictly prohibited and will disqualify candidates.

S. D. ASKEW
Clerk of the Board

New River Head,
Rosebery Avenue,
London, E.C.1.

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ACCOUNTANT FOR NASSAU, BAHAMAS

Peat, Marwick, Mitchell & Co. have an immediate vacancy at Nassau, Bahamas, for a Chartered Accountant, single, aged 25-30, with first-class post-qualification experience in the profession. Commencing salary not less than £1,800 p.a., free of tax. International clientele offers varied experience in both general practice and management service. Replies in confidence to STAFF MANAGER, 11 Ironmonger Lane, London, E.C.2, stating age, education, experience and examination record.

ACCOUNTANT—Qualified Accountant required by manufacturing concern in the South of Ireland. The post primarily requires a man with initiative and drive who will be capable of installing and controlling the records of a costing system suitable to the industry. Applicants will also require to be capable of controlling the financial records of the concern and of preparing periodic Profit and Loss Accounts and Balance Sheets. Only those with at least five years' commercial experience during which time they have been in control of or actively engaged in costing records should apply. Applicants in replying should enclose copies of references and should give particulars of their age, qualifications, experience, and salary required. Box No. 210, c/o ACCOUNTANCY.

ACCOUNTS CLERK to assist Secretary of small public company in Cardiff area. Suitable for man hoping to qualify or recently qualified in Secretarial or Accountancy and seeking commercial experience. The position is permanent with good prospects and, if confirmed, is pensionable. Please write, giving full details of experience, qualifications, if any, and age, in confidence, to Box No. 209, c/o ACCOUNTANCY.

ASSISTANT ACCOUNTANT required by large industrial enterprise in Nigeria. Applicants should have had sound accounting experience and should be interested in the development of costing and other management information. An A.C.W.A. degree would be an advantage although this is not essential. Preferred age 25-30 years. Commencing salary according to qualifications for the job but not less than £1,100 per annum for an unqualified man, plus family allowances, free fully furnished accommodation; free passages, tours of about 21 months with good home leave. Applicants should write at once to Box No. 211, c/o ACCOUNTANCY, for immediate interview in London.

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ACCOUNTANT, under 35, required immediately by small light engineering Company West Herts area. Person appointed must be qualified with some commercial experience and able to take full charge, without supervision, of the financial books and records. Commencing salary £1,000 p.a. Write full particulars to VICTOR STEWART & Co., Chartered Accountants, 35 Maddox Street, London, W.1.

ACCOUNTS DEPARTMENT of a large electrical engineering company within the A.E.I. group has vacancies for two or three young men, preferably aged 22-32 and suitably qualified, to be based at main factories in S.E. London and Brimsdown, Middx, to assist in investigating existing accounting methods throughout the group, and to form a nucleus of new internal audit section. Knowledge and experience of production costing methods essential plus a good standard of report writing. Some U.K. travelling required. Progressive salaries and prospects. Staff pension scheme. Brief written applications to Staff Officer, Ref. 744/53, SIEMENS EDISON SWAN LTD., London, S.E.18.

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CHARTERED ACCOUNTANT—age about 30, with good all round experience, pleasing personality and ability to interview Clients, required by medium sized firm of Yorkshire (East Riding) Chartered Accountants to assist and in two years' time take over from Managing Clerk, with eventual prospect of partnership. Good opportunity for man prepared to work hard and take responsibility. Salary commensurate with age and experience. Apply Box No. 212, c/o ACCOUNTANCY.

CHARTERED ACCOUNTANTS have vacancy for semi-senior professionally-trained CLERK able to work without supervision. C. L. HOLMES, HOLMES & HALFORD, 35 Exchange Street, Norwich.

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The successful applicant is likely to be between the ages of 35 and 45 and to have had several years' experience in a senior capacity in business or in the profession. He will be expected to assume responsibility for all matters normally falling within the province of a Financial Controller, including the production of departmental accounts and other information for management, and for an I.B.M. installation.

The position is one which will appeal to a man of high calibre and will carry appropriate remuneration.

Applications (which will be treated in the strictest confidence) should contain full details of age, education, qualifications and positions held with dates and salaries, and should be sent, quoting reference F.C.43, to the Staff Manager, Cooper Brothers & Co., 14 George Street, Mansion House, London, E.C.4.

PEAT, MARWICK, MITCHELL & CO., 11 Ironmonger Lane, London, E.C.2, have vacancies in their London office for young Chartered Accountants who wish to widen their experience in all branches of accountancy. Excellent prospects, good starting salary, pension scheme. Opportunities for service overseas. Applications to 11 Ironmonger Lane, E.C.2.

PRICE WATERHOUSE and Co. have vacancies for young qualified accountants who wish to acquire a wide and varied experience. Good starting salary and excellent prospects. Opportunities to transfer abroad in due course. Write to 3 Fredericks Place, Old Jewry, London, E.C.2.

QUALIFIED ACCOUNTANT required by **NIGERIAN FEDERAL GOVERNMENT**, Marketing and Exports Department, on contract for one tour of 12-24 months in first instance with possibility of subsequent re-engagement. Commencing salary according to experience in scale (including Inducement Addition) £1,290 rising to £1,962 a year. Gratuity at rate of £150 a year. Outfit allowance £60. Housing with essential furniture at low rental. Free medical attention. Free passages for officer and wife. Assistance towards children's passages and grant up to £150 annually towards maintenance in United Kingdom. Liberal leave on full salary. Candidates must have commercial accounting experience, including some knowledge of banking and shipping practice. Write to the **CROWN AGENTS**, 4 Millbank, London, S.W.1. State age, name in block letters, full qualifications and experience and quote M3A/44460/AD.

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MOTOR COMPANY LIMITED

has vacancies in its Audit Department for qualified accountants aged 24-28 with professional audit experience.

Also for unqualified men aged up to 35 with broad practical accounting experience.

Applicants should possess above average initiative, industry and tact and should apply to Head, Training and Recruitment Department (012), Ford Motor Company Limited, Dagenham, Essex, quoting reference CA.

SEMI SENIOR AUDIT CLERKS required by City Chartered Accountants, applicants who intend to qualify preferred. Good salary and luncheon vouchers. Box No. 203, c/o ACCOUNTANCY.

SENIOR CLERKS with several years experience since qualifying required by City Chartered Accountants, age preferably 30-35. Salary £900-£1,000, with luncheon vouchers. Box No. 202, c/o ACCOUNTANCY.

THE MILK MARKETING BOARD has a number of vacancies for Audit Clerks at their Head Office, between the ages of 20 and 30. They should at least have taken the intermediate examination of a professional accounting body and have had experience in professional accountant's office. Commencing salary £700 per annum; excellent opportunities, permanent post, Pension Scheme, etc. Write for application form to the Personnel Officer (Ref. 206), MILK MARKETING BOARD, Thames Ditton, Surrey.

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Applications are invited for the following new appointments in the Department of Commerce:

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An applicant should have a special interest in management accounting or financial accounting.

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GENERAL TERMS OF APPOINTMENT and statements about the posts may be had from the Secretary, ASSOCIATION OF UNIVERSITIES OF THE BRITISH COMMONWEALTH, 36 Gordon Square, London, W.C.1. The University Calendar may be consulted in the Library of any University which is a member of the A.U.B.C., and further information about the University or about either post will be gladly supplied on request to the Registrar.

APPLICATIONS, in duplicate and giving the information specified in the last paragraph of the general terms of appointment, should reach the Registrar, UNIVERSITY OF ADELAIDE, Adelaide, South Australia, not later than 31st May, 1959.

VACANCIES available for qualified Accountants in South America, West Indies, Rhodesia, Kenya, Far East and the Continent. Call **BOOTH'S AGENCY**, 80 Coleman St., Moorgate, E.C.2.

ARTICLED CLERKS

INDIAN (23) Cambridge Graduate, Honours in Law and Economics, seeks paid Articles with London firm. Will pay premium if required. P. K. PAL, 46 St. James Close, N.W.8.

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BATCH of small cases for Sale, London. Suit newly qualified Accountant. Box No. 207, c/o ACCOUNTANCY.

BRONZE NAME PLATES, cream enamel lettering. Send required wording. Proof submitted. MAILE, Engravers, 367 Euston Road, N.W.1.

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